QUARTERLY OPERATIONS IN BRIEF

Retirement-Survivor

Annuities in Payment Status

At the end of the April-June 1980 quarter, almost 451,000 regular employee annuities were being paid, 2,900 fewer than at the end of the preceding quarter. Nearly 355,000 of these annuities were age retirements, and 96,000 were disability retirements. The age annuities averaged $521, about $50 or 10.7 percent more than at the end of March. Disability annuities increased by about the same dollar amount on the average, from $425 in March to $474 in June, a percentage increase of 11.6. These increases were mainly due to the June cost-of-living adjustments. In accordance with provisions of the Railroad Retirement Act, the tier I portion of regular employee and spouse annuities received the same 14.3 percent cost-of-living increase applicable to social security benefits in June. A separate increase of 4.6 percent, equal to 32.5 percent of the social security increase, was given to certain portions of tier II. For survivor annuities, since tier II is 30 percent of tier I, the full social security percentage increase was applied to both tier I and tier II.

Other retirement annuities being paid at the end of the quarter included 187,000 supplemental employee annuities averaging $53, and 233,000 spouse annuities averaging $234. The number of supplemental annuities being paid has been steadily growing; the increase over the quarter was almost 900. The number of spouse annuities dropped by about 500, continuing the slight decline of the previous quarter; however, there were about 600 more being paid than in June 1979. The average spouse annuity amount increased by 8.8 percent over the quarter, largely because of the June cost-of-living increases. An additional effect of the June social security increase was to raise the spouse maximum benefit to $510.95. Since a spouse annuity is generally only one-half of the employee's benefit, relatively few spouses were affected by this change. At the end of June, less than 100 spouses were being paid the new maximum, while at the beginning of the quarter about 400 were being paid the then maximum of $447.04.

The total number of survivor benefits being paid dropped slightly over the quarter to about 331,000 as of June 30. Almost 291,000 (88 percent) of these annuities were to aged widows and widowers; their benefits averaged $360. Nearly 28,000 annuities averaging $347 were being paid to children, 11,600 of them under 18 years of age, 5,800 students and 10,500 disabled. Other survivor annuities included 7,000 to disabled widows and widowers, and 5,100 to widowed mothers and fathers, averaging $301 and $388, respectively. Survivor annuities increased an average of 14 percent over the quarter, primarily because of the June cost-of-living increases.

The Board was paying some 1,202,000 monthly benefits to nearly 1,006,000 beneficiaries at the end of June. The difference between numbers of benefits and beneficiaries was due to the 187,000 employees who received both regular and supplemental annuities, and the 9,000 employees who received either spouse or survivor annuities in addition to their employee annuities. Compared to the previous quarter, the number of benefits decreased by about 3,000 and the number of beneficiaries by about 4,000.

Awards

Awards of regular employee annuities during the April-June quarter numbered about 4,400, nearly 2,600 less than in the preceding quarter. Employee award activity usually slackens in spring and picks up in summer, as many employees who could retire work until they earn the year's vacation pay. Of the quarter's retirements, 3,100 were based on age and 1,300 on disability. Age awards consisted of 1,200 to employees age 65 or older, 1,400 to employees age 60-64 who had at least 30 years of service, and 500 to employees age 62-64 with less than 30 years of service (reduced annuities). Employees were also awarded about 3,000 supplemental annuities in the quarter, 1,300 fewer than in the prior quarter. Awards of spouse annuities numbered 4,800, a drop of 1,100 from the previous quarter. Twenty percent of these awards were concurrent with the award of the employee annuity.

Nearly 5,400 survivor annuities were awarded in the quarter, 400 more than in the preceding quarter. Aged widows and widowers received 4,200 awards, 79 percent of the survivor awards. Other annuity awards included 800 to children, 300 to widowed mothers and fathers and 100 to disabled widows and widowers. In addition, survivors were awarded 3,500 insurance lump-sum benefits and 300 residual payments.

Benefit Payments

Payments of retirement and survivor benefits totaled $1,179 million for the April-June 1980 quarter. This was about $34 million more than the total for the January-March quarter; the increase was due to the June cost-of-living adjustments. Employees were paid $684 million, 58 percent of the total and $15 million more than in the preceding quarter. The employee payments comprised $521 million in regular age annuities, $133 million in disability annuities and $30 million in supplemental annuities. Spouse payments totaled nearly $159 million, 13 percent of the total and some $3 million more than in the previous quarter. The remaining $336 million was paid to survivors, $332 million in annuities and $4 million in lump-sum benefits. Aged widows and widowers received $291 million, while $29 million went to children. Disabled widow(er)s and widowed mothers (fathers) were each paid $6 million. Lump-sum payments consisted of $2.5 million in insurance benefits and $1.5 million in residuals. Total survivor payments exceeded those in the previous quarter by $15 million.

Financial Operations

The balance of funds in the Railroad Retirement Account increased by $714 million over the quarter as a result of a net credit in June of $1,186 million under the annual financial interchange between the account and the Social Security Trust Funds. The intent of the financial interchange provisions of the Railroad Retirement Act is to place the trust funds in the same condition they would have been if railroad service had been covered under the Social Security and Federal Insurance Contributions Acts since their inception. The balance in the account increased from $2,123 million at the beginning of the quarter to $2,836 million as of June 30, with the quarter's receipts totaling $2,196 million and expenditures $1,482 million. Main sources of income were a net transfer of $1,430 million under the interchange with the Social Security OASI and DI funds, $632 million in tax monies, and $50 million in investment income. Outlays included $1,148 million in benefit payments, $244 million to the Social Security HI fund under the financial interchange, and $7 million for administration.

The balance in the Railroad Retirement Supplemental Account declined from $32.0 million to $31.3 million over the quarter, with receipts and expenditures totaling $29.9 million and $30.6 million, respectively. Income consisted of $29.0 million in taxes and $0.9 million in interest. Supplemental annuity payments were the predominant expenditure, amounting to $30.4 million.

Unemployment-Sickness

During the April-June 1980 quarter, a total of $45.6 million in unemployment and sickness benefits was paid to 82,000 beneficiaries, decreases of 24 percent and 9 percent, respectively, from the immediately-preceding quarter. However, compared with the corresponding 1979 quarter, the benefit amount rose 51 percent and the number of beneficiaries increased 29 percent.

Unemployment Benefits

Unemployment beneficiaries numbered 55,400 during the quarter, 62 percent more than in the year-earlier period when the national economy was relatively stable. The Index of Industrial Production fell from 151 to 145 between the 1979 and 1980 April-June quarters, providing evidence of an economic downturn during the 12-month period. The resulting decline in finished goods available for shipment led to a nine percent overall decrease in freight carloadings during the 1980 quarter. Most severely affected were loadings of motor vehicles and equipment, which fell by more than 33 percent from the April-June 1979 level. Overall, railroad freight-ton miles, which totaled 235 million, fell almost two percent short of the all-time quarterly high of 239 million established in the April-June 1979 period.

The total unemployment benefit amount paid for the quarter—$33.1 million—was 103 percent more than in the equivalent 1979 quarter. The greater increase in benefits than in beneficiaries resulted from a longer average duration of benefits during the 1980 quarter, as average compensable days per beneficiary rose from 19 to 24. As in the previous year's second quarter, employees with less than 10 years of service were not eligible to receive extended unemployment benefits, because a "period of high unemployment" was not in effect. Some 54,700 of the quarter's unemployment beneficiaries received normal benefits, 1,300 were paid extended benefits and 600 received both types.

Sixteen of the 17 occupational groups showed an increase in unemployment beneficiaries over the 1979 quarter. Three of these groups—conductors, shop craftsmen, and shop helpers and apprentices—each more than doubled in number, due in part to strike-related unemployment, but the brakemen-baggagemen-switchtenders group had the greatest share of the total (25 percent). Four percent of the quarter's beneficiaries were women, one percent less than a year earlier. The median age of all beneficiaries was 31 years, the same as in April-June 1979.

Sickness Benefits

Sickness benefits totaling $12.5 million were paid to 28,500 beneficiaries during the April-June 1980 quarter, representing decreases of 10 percent and 8 percent, respectively, from the same period in 1979. Normal benefits were paid to 25,900 beneficiaries, and 3,900 were on the extended benefit rolls; almost 1,300 received both types of benefits.

Compared to the January-March 1980 quarter, the number of beneficiaries receiving extended benefits rose 29 percent, while the total number of beneficiaries dropped 14 percent. This is a normal occurrence during the last quarter of a benefit year, as those beneficiaries with long-term illnesses exhaust their normal benefit rights and switch to extended benefits.

Between the 1979 and 1980 April-June quarters, the relative distribution of beneficiaries by category of sickness did not change. Injuries other than fractures accounted for 25 percent of all temporary disability during the 1980 period, one percent more than in the previous year. As in the 1979 quarter, fractures and ischemic heart disease were the next two most prevalent causes of sickness, making up 10 percent and 7 percent of the total, respectively. Of the quarter's beneficiaries, 21 percent were in the shop craftsmen occupational group, two percent more than in the 1979 quarter. The brakemen-baggagemen-switchtenders group, with 14 percent, ranked second. Women made up 10 percent of the sickness beneficiary total. The median age of all sickness beneficiaries declined two years to age 44 from the April-June 1979 quarter.

Financial Operations

As of June 30, 1980, the cash balance in the Railroad Unemployment Insurance Account was $40.8 million. Contributions to the account during the April-June quarter amounting to $35.7 million were the first at the 5.5 percent rate effective for calendar year 1980, due to the regular three-month lag in tax collections; the rate had been seven percent in 1979. Another $0.9 million was credited to the account from interest on investments, but total income during the quarter was insufficient to cover benefit payments, resulting in a $9.0 million decrease in the account balance between the first and second quarters of 1980.

ADMINISTRATIVE NOTES

Robert S. Kaufman has been named Acting Director of Retirement Claims, succeeding Thomas J. Bodkin, who retired. Mr. Kaufman was previously Chief of the Division of Planning, Procedures and Systems in Retirement Claims.

Gerald R. Thurman has been appointed Kansas City Regional Director, succeeding John Price, Jr., who retired. Mr. Thurman was previously Deputy Regional Director of that region.

RAILROAD RETIREMENT LEGISLATION ENACTED

On December 23, 1980, legislation was enacted (P.L. 96-582) which directed railroad management and labor to present joint recommendations to Congress for resolving the railroad retirement system's financing problems. This legislation also extended certain cost-of-living increases into 1981.

Actuarial valuations of the railroad retirement system in 1976 and 1979 indicated long-term financing problems as well as cash-flow problems in the 1980's. Current projections, taking into account current economic conditions, indicate that the system faces cash-flow problems in 1983 unless corrective legislation is enacted in the meantime. P.L. 96-582 directed railroad management and labor representatives to present joint recommendations for corrective legislation to Congress as follows: "No later than March 1, 1981, representatives of employees and representatives of carriers, acting through a group designated by them, shall submit to the Senate Committee on Labor and Human Resources and the House of Representatives Committee on Interstate and Foreign Commerce a report containing their joint recommendations for further restructuring of the railroad retirement system in a manner which will assure the long-term actuarial soundness of such system."

The House of Representatives Report accompanying H.R. 8195, which was enacted as P.L. 96-582, stated "Historically, management and labor have negotiated the terms of the railroad retirement system. Draft legislation has then been submitted to the Congress, representing the agreement of the parties." Also, "The Committee also emphasizes because of the interim nature of this legislation, the importance of labor and management continuing their ongoing negotiations over a joint proposal to ensure the long term actuarial soundness of the system." In addition, "Waiting to resolve this [financial] crisis will result in the necessity of adopting progressively more drastic measures to restore the fund to solvency."

While the labor and management representatives did not come to an agreement on joint recommendations by March 1, 1981, as scheduled, they jointly requested that Congress allow them until April 1, 1981, to continue negotiating such an agreement and that Congress defer any other initiatives until then. This request of the labor-management negotiators was premised on recognition of the progress which they had achieved and their hope that continuing efforts would produce joint recommendations by April 1.

The cost-of-living increase provision pertains to the tier II portions of employee and spouse annuities. Tier I portions are the equivalent of a social security benefit and increase automatically without legislation by 100 percent of annual increases in the Consumer Price Index. Tier II portions, paid over and above tier I, are analogous to private industrial pensions, and financed solely by railroad employers. The Railroad Retirement Act of 1974 provided four post-retirement increases in the tier II benefit, which were effective in 1977, 1978, 1979, and 1980. These increases were equivalent to 32.5 percent of the annual increase in the Consumer Price Index. By providing a tier II increase payable in July 1981, calculated the same way, P.L. 96-582 continues the existing benefit structure intact while negotiations for the long-term future of the system continue. The increase applies to those annuities that began to accrue on or before June 1, 1981.

Financing

The short-range cost effect of P.L. 96-582 is highly dependent on the rate of inflation. For example, if the increase in the Consumer Price Index causes a 14.3 percent increase in social security benefits, as occurred in 1980, P.L. 96-582 would cause benefit outgo to go up by about $42 million. If the 1981 social security increase is only 10 percent, benefit outgo would rise by only about $30 million. The quoted figures measure the increase in benefits for the 12 months following the first increased payment.

The additional benefits payable under P.L. 96-582 over those payable under previous law would gradually decline. This is because the legislation has no effect on the benefits of individuals retiring after June 1, 1981, and provides a one-time-only increase for individuals on the rolls at that time. As these annuities cease to be paid because of death or termination for other causes, benefit payments under P.L. 96-582 approach those under previous law. For this reason, the effect of the legislation on a long-range basis is to increase costs by a relatively small 0.05 percent of payroll.

SUPREME COURT UPHOLDS RR ACT

A December 1980 Supreme Court decision in a class-action suit, *U.S. Railroad Retirement Board* v. *Fritz,* upheld certain dual benefit provisions of the 1974 Railroad Retirement Act. The Act's dual benefit vesting requirements, which have been in effect since January 1975, consequently remain unchanged. This class-action suit had sought revisions in the vesting requirements so as to provide additional benefits to some of the persons with coverage under both the railroad retirement and social security systems.

The 1974 Act coordinated railroad retirement and social security benefit payments so as to eliminate certain duplications, or windfalls, allowed under previous law. However, the Act provides a dual benefit windfall payment for those retired before 1975, and for future retirees who were qualified for both benefits before 1975 and meet certain vesting requirements. These vesting requirements call for rail service in 1974, or 25 years of rail service by the end of 1974, or a current connection with the rail industry in 1974 or at retirement, or being insured for dual benefits before leaving the rail industry prior to 1974.

The class-action suit had maintained that dual benefit windfall payments should be provided for future retirees qualified for both benefits before 1975, without regard to the additional vesting requirements. Since the Supreme Court upheld the existing provisions, the suit did not cause any changes in current or future dual benefit payments made by the Railroad Retirement Board.

LIFE EXPECTANCY OF RAILROAD RETIREMENT BENEFICIARIES

Studies on the life expectancies of railroad retirement beneficiaries have recently been made from data for the fifteenth valuation, which is being done as of December 31, 1980. These studies have been conducted for male and female age annuitants, disability annuitants, spouses and widows. Comparisons have been made with studies two and five years earlier and there is an increased life expectancy of all categories of railroad retirement beneficiaries. (Life expectancy of the U.S. population as a whole has also increased.)

LIFE EXPECTANCIES are a useful tool in forecasting the impact of future benefit payments on the financial condition of the railroad retirement program. With life expectancy increasing, more will have to be paid out in benefits since a benefit is generally payable as long as the individual beneficiary lives. In the case of spouses and widows, the benefit may stop earlier upon death of the employee annuitant or upon the widow's remarriage.

As indicated in table 1, a male railroad worker retiring at age 65 may expect, on the average, to receive his annuity for 14.4 years or approximately 173 months, while one retiring at age 62 can expect to receive his for 16.5 years or approximately 198 months. The annuity of a worker retiring at age 62 with less than 30 years of service is reduced because of his longer life expectancy so that the total amount of benefits paid in his remaining lifetime is worth approximately the same as what he would have received had he retired at age 65. A worker with 30 years of service can retire at age 60 with no reduction in his benefit.

Table 1 also illustrates the difference in longevity between the categories of railroad retirement beneficiaries. At age 65, a female railroad retirement age annuitant has a life expectancy of 18.7 years as opposed to 14.4 for males, a difference of 4.3 years. Females

Table 1.—Life expectancies at ages 60-85 for railroad retirement beneficiaries and for the general population, by sex and age
(In years)

Age[1]	Railroad retirement[2]					U.S. population[4]	
	Age annuitants		Disabled annuitants	Spouses[3]	Widows	Males	Females
	Males	Females					
60 ...	17.9	22.9	12.3	22.6	21.5	17.0	22.1
61 ...	17.2	22.2	12.0	21.8	20.7	16.4	21.3
62 ...	16.5	21.3	11.7	21.0	19.9	15.7	20.6
63 ...	15.8	20.4	11.3	20.3	19.2	15.1	19.8
64 ...	15.1	19.5	10.9	19.5	18.4	14.5	19.1
65 ...	14.4	18.7	10.6	18.8	17.7	13.9	18.3
66 ...	13.8	17.9	10.2	18.0	17.0	13.3	17.6
67 ...	13.1	17.1	9.9	17.3	16.3	12.8	16.9
68 ...	12.5	16.3	9.5	16.6	15.6	12.2	16.1
69 ...	11.9	15.6	9.2	15.8	15.0	11.6	15.4
70 ...	11.3	15.0	8.9	15.1	14.3	11.1	14.7
71 ...	10.7	14.3	8.6	14.5	13.6	10.6	14.1
72 ...	10.2	13.6	8.2	13.8	13.0	10.1	13.4
73 ...	9.7	12.9	7.9	13.1	12.4	9.6	12.8
74 ...	9.2	12.3	7.6	12.4	11.8	9.2	12.1
75 ...	8.8	11.6	7.4	11.8	11.2	8.7	11.6
76 ...	8.3	11.0	7.0	11.2	10.6	8.3	11.0
77 ...	7.9	10.3	6.6	10.6	10.0	7.9	10.5
78 ...	7.4	9.7	6.4	10.0	9.4	7.6	9.9
79 ...	7.0	9.2	6.0	9.4	8.9	7.2	9.5
80 ...	6.7	8.6	5.8	8.8	8.4	6.9	9.0
81 ...	6.3	8.1	5.5	8.3	7.9	6.6	8.5
82 ...	5.9	7.6	5.3	7.9	7.4	6.3	8.1
83 ...	5.6	7.1	5.0	7.4	7.0	6.1	7.7
84 ...	5.3	6.6	4.8	7.0	6.5	5.8	7.3
85 ...	5.0	6.2	4.6	6.5	6.1	5.5	6.9

[1] For railroad retirement data, age basis is age nearest birthday at beginning of year (policy year for age and disability annuitants, calendar year for spouses and widows); for U.S. population data, age basis is exact age.

[2] Based on experience between anniversaries of retirement in 1976 and 1979 for age annuitants, 1976 and 1978 for disability annuitants, and experience during calendar years 1976-78 for spouses and widows.

[3] About 98 percent of spouses are women.

[4] U.S. Life Tables for 1977 from Table 5-3, Volume II, Section 5 of the Vital Statistics of the United States Public Health Service, U.S. Department of Health, Education, and Welfare.

at age 65 in the U.S. population as a whole live on average 4.4 years longer than males. While the female age annuitant or spouse at age 65 can expect to live about 18.7 or 18.8 years, respectively, a widow at the same age is expected to live only 17.7 years. One reason for the difference in longevity is that a widow's life expectancy may be affected by the change in financial and social position and the intangible effect of bereavement brought on by the husband's death.

Table 1, in addition, gives life expectancy figures for the total U.S. population. It should be noted that the figures for the railroad beneficiaries show disability cases separately, while those for the U.S. population do not segregate disabled persons.

Life expectancies for disability beneficiaries shown in table 2 are divided between all disabilities and total disabilities. Total disabilities are those that meet the more restrictive disability standards of social security, while all disabilities include both those disabled only for their regular occupation and those totally disabled. The life expectancy for total disability cases is less than the expectancy for all disabilities combined, but the difference between the two is not as significant as it once was. For example, the difference in longevity at retirement between total disabilities and all disabilities at age 50 is only 1.5 years. In the study done eight years ago, the corresponding difference was 2.2 years.

Table 2.–Life expectancies[1] at selected ages for railroad disability annuitants at retirement and 5 or more years after retirement
(In years)

Age[2]	All disabled		Totally disabled[3]	
	At retirement	5 or more years after retirement	At retirement	5 or more years after retirement
50 . . .	16.6	17.0	15.1	15.8
55 . . .	14.1	14.6	13.1	13.4
60 . . .	12.6	12.3	11.7	11.2
65 . . .	(4)	10.5	(4)	9.5
70 . . .	(4)	8.9	(4)	8.1
75 . . .	(4)	7.4	(4)	6.7
80 . . .	(4)	5.8	(4)	5.2

[1] Based on experience between 1976 and 1978 anniversaries of retirement.

[2] Age basis approximates exact age at beginning of policy year.

[3] Individuals who met the social security standards for disability freeze.

[4] Disability annuities not awarded after 65th birthday.

It also can be seen from table 2 that the life expectancy of a person newly disabled is not significantly different from that of a person disabled a number of years earlier. At age 55, for example, among all disabilities combined, a recently disabled person may expect to live 14.1 years on the average, while one disabled 5 or more years ago has a life expectancy of 14.6 years. Likewise, for total disabilities at age 55 the newly disabled annuitant has a life expectancy of 13.1 years, while a person disabled 5 or more years has one of 13.4 years. In either case the difference in longevity between a person recently disabled and one who has been disabled 5 or more years is not greater than 6 months.

The data used in compiling life expectancy figures also provide a basis for estimating what proportion of the retired population can be expected to live a particular number of years and collect benefits during that time. The chances of survival for 5, 10, 15, and 20 years for retired individuals are given in table 3. According to these figures, from a group of 1,000 male employees retiring at age 65, 864 will survive at least 5 years, 673 at least 10 years, 460 at least 15 years, and 257 will still be alive and collecting benefits at age 85, 20 years after retirement. Thus about one in every 4 newly retired male age annuitants at age 65 will still be alive and receiving benefits 20 years after retirement with the last survivor probably living another 20 years after that. For female age annuitants, approximately 7 out of every 15 women who begin receiving benefits at age 65 can expect to be receiving benefits 20 years later.

It should be noted that life expectancy figures are averages for large groups. The future lifetime of a particular individual, however, may be longer or shorter than the life expectancy for his age and group. In the Board's experience, there have been many annuitants who have lived only a short time after retirement, but, on the other hand, there have been many who have received benefits for 25 years or more.

Technical Remarks

The life expectancy figures presented here were computed from mortality rates developed from the studies prepared for the fifteenth actuarial valuation of the railroad retirement program. For age annuitants, the studies cover the experience between the 1976 and 1979 anniversaries of annuity beginning date and for disabilities the studies cover experience between 1976 and 1978 anniver-

Table 3.–Chances of survival for specified periods, by age and category of railroad retirement beneficiary

	Number alive per 1,000 after				Number alive per 1,000 after			
Age[1]	5 years	10 years	15 years	20 years	5 years	10 years	15 years	20 years
	Male age annuitants				Female age annuitants			
60 ...	911	787	613	419	963	893	788	641
65 ...	864	673	460	257	928	818	666	469
70 ...	778	532	298	125	882	718	505	263
75 ...	683	383	160	43	814	573	298	119
	Spouses[2]				Widows			
60 ...	946	872	769	629	937	849	731	581
65 ...	921	813	665	465	906	780	620	422
70 ...	882	722	505	286	861	685	466	246
75 ...	818	572	324	128	795	542	286	103
	All disability annuitants							
60 ...	756	538	348	205				
65 ...	712	461	272	128				
70 ...	648	382	180	66				
75 ...	590	278	102	26				
	All disability annuitants at retirement				All annuitants, disabled 5 or more years			
50 ...	827	671	509	360	849	689	522	369
55 ...	786	595	421	273	812	615	435	282
60 ...	772	546	354	209	758	535	347	205
65 ...	(3)	(3)	(3)	(3)	707	458	270	127
70 ...	(3)	(3)	(3)	(3)	648	382	180	66
75 ...	(3)	(3)	(3)	(3)	590	278	102	26

[1] For age and disability annuitants, these approximate exact ages at beginning of policy year; for spouses and widows, exact age at beginning of calendar year.

[2] About 98 percent of spouses are female.

[3] Disability annuities not awarded after 65th birthday.

saries. For spouses and widows, the experience of calendar years 1976 through 1978 is covered, including data on awards through 1977. The volume of underlying statistics was substantial so that the data may be considered reliable.

Prenormal and normal age annuitants were grouped together since their life expectancies were practically identical after age 65. Had the data not been broken down by sex, differences would have emerged, since prenormal age retirements have a heavier representation of women than do normal age retirements.

READEX FICHE

WINDFALL PAYMENTS

One of the most important provisions of the Railroad Retirement Act of 1974 involved the payment of a dual benefit windfall to those employees, spouses, and widow(er)s considered vested for both railroad retirement and social security benefits before 1975. Windfall benefits provide the continued payment of dual benefits to those annuitants following enactment of the 1974 Act. Under the 1937 Act, an annuitant receiving both a social security benefit and a railroad retirement annuity received a larger combined benefit than he or she would have if earnings had been entirely under one system. The 1974 Act eliminated this windfall for those who were not vested under both systems before 1975.

THE COST OF DUAL BENEFITS to the railroad retirement system was an important consideration in the revision of the annuity computation and the creation of the windfall provision under the 1974 Act. There is a financial interchange between the social security and railroad retirement systems, designed to place the social security system in the same position it would have been if railroad employment had always been covered under the social security program. Under the financial interchange provision, the Board pays the Social Security Administration the taxes that would have been collected, while social security pays the Board the benefits that would have been payable, less the amount of any social security benefits actually paid. The fact that the actual social security payments are deducted means that the Board, in effect, assumed the additional cost of dual benefit payments under the 1937 Act.

The 1974 Act revised the annuity computation and created a tier format upon which the annuity payment is based. The tier I portion of the annuity represents essentially a social security benefit based on the employee's combined railroad service and social security

Table 1.–Employee and Spouse Windfall Payments in Current-Payment Status, 1975-79

Year	Employees			Spouses		
	Number	Average	Percent of all employees	Number	Average	Percent of all spouses
1975	172,600	$105	37	125,400	$77	56
1976	179,800	106	39	143,700	82	63
1977	185,300	107	40	149,200	85	65
1978	184,900	108	40	151,700	88	65
1979	184,200	110	40	152,600	91	65

covered earnings. This amount is reduced, dollar for dollar, by the amount of any social security benefit payable to the annuitant. This change in the annuity computation effectively phased out the payment of dual benefits as they had existed under the 1937 Act. The tier II portion of the annuity is based on railroad service only; it is comparable to the pensions paid over and above social security benefits to workers in other heavy industries. The third component, the windfall, is based on earnings prior to 1975 and is intended to preserve the equities already established through December 31, 1974.

Under the 1974 Railroad Retirement Act, funding for windfalls is made from 25 annual appropriations from general revenue funds, spread over fiscal years 1976-2000. The amount of the appropriation is to be recalculated with every actuarial valuation. At the time the 1974 Act was being negotiated, it was believed that the annual appropriation would be about $250 million. The 14th actuarial valuation, which reviewed the status of the fund as of December 1977, recommended an increase in the annual appropriation to $500 million. A number of factors were responsible for the revision in the appropriation estimate, including the increase in widow(er)s' windfall payments due to the 1976 amendments, a decline in mortality rates for retirees, and, most importantly, the high inflation rate experienced in recent years.

Annuitants Receiving a Windfall

All employees, spouses, and widow(er)s on the railroad retirement rolls as of December 31, 1974, who were also insured under social security as of that date, were considered vested for windfall entitlement at the time the 1974 Act went into effect. The eligibility requirements for insured annuitants coming on the rolls after December 1974 are outlined in a box accompanying this article. Despite the vesting restrictions on new windfall awards, the number of annuitants being paid windfalls, with the exception of employees, has increased steadily since 1975. The number of retired employees receiving a windfall increased through 1977, then declined in 1978 and 1979, reflecting a decrease in the number of employee annuitants on the rolls (see table 1).

The formulas used in computing the windfall benefit are outlined in another box in this article. The windfall amounts determined for employees and spouses by using these formulas are increased by the cumulative cost-of-living percentage increase applicable to tier I benefits between January 1, 1975, and the date the employee retires. After retirement, the windfall amount is frozen, and no further increases are payable. However, due to high inflation in recent years, these cumulative increases have become quite substantial. Table 2 presents the cost-of-living percentages applied to tier I through 1980, and the corresponding cumulative increase applicable in

Table 2.–Cost-of-Living Increases, 1975-80

Year	Increase	Cumulative increase
1975	8.0%	8.00%
1976	6.4	14.91
1977	5.9	21.69
1978	6.5	29.60
1979	9.9	42.43
1980	14.3	62.80

each year of retirement. If inflation remains high, it appears likely that the cumulative increase will be over 100 percent in two or three years. The annuities of those already on the rolls on December 31, 1974, were converted from the 1937 Act formula to the 1974 Act tier structure. The windfall amounts determined at conversion were frozen, i.e., no cost-of-living increases are payable on the windfall portion of their annuities.

Retired Employees

A total of 184,200 retired employees were being paid a windfall as of December 1979, representing 40 percent of employees on the retirement rolls. The proportion of employees on the rolls receiving a windfall has remained fairly constant since 1975 (table 1). The average monthly windfall amount paid to those employees in current-payment status during the same four year span increased by only five percent, from $105 in 1975 to $110 in 1979. This is because windfalls are based

ELIGIBILITY REQUIREMENTS FOR WINDFALL

I. EMPLOYEE

A. Fully insured under the Social Security Act as of 12-31-74 with 10 years of railroad service before 1975, and either (i) 25 years of railroad service prior to 1-1-75 or (ii) some railroad work in 1974 or (iii) a current connection[1] either as of 12-31-74 or at the time of retirement.

B. If the above conditions are not met, fully insured under the Social Security Act as of the last year of railroad work prior to 1975, and 10 years of railroad service before 1975.

II. SPOUSE

A. Spouse fully insured under the Social Security Act as of 12-31-74, and employee is insured under IA above.

B. If the above conditions are not met, spouse is fully insured under the Social Security Act as of December 31, 1974, or the last year of employee's railroad service prior to 1975 and the employee has 10 years of service.

C. Spouse is not fully insured under the Social Security Act, but the employee is eligible for a windfall.

III. SURVIVOR

A. Widow or widower must have been fully insured under the Social Security Act prior to 1975, and the deceased employee must have had 10 years of railroad service prior to 1975.

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[1] In general, employees who worked in the railroad industry in at least 12 of the 30 consecutive calendar months immediately preceding the month in which their annuity began to accrue are considered to have a current connection.

Table 3.–Employee Windfall Recipients in Current-Payment Status, 1975-79, by Basis of Retirement

Year	Full-age annuitants, 65 or over			Full-age annuitants, 60/30			Reduced-age annuitants			Disability annuitants		
	Number	Average	Percent of 65 or over annuitants	Number	Average	Percent of 60/30 annuitants	Number	Average	Percent of reduced-age annuitants	Number	Average	Percent of disability annuitants
1975	101,300	$111	39	5,500	$112	13	37,000	$96	56	28,800	$95	28
1976	100,400	112	41	9,500	111	17	39,700	97	60	30,200	96	30
1977	98,400	112	42	14,000	112	21	41,000	99	61	31,900	98	32
1978	94,000	113	43	17,700	115	23	41,200	101	61	32,000	99	33
1979	89,500	114	44	21,600	119	25	41,100	103	61	31,800	101	33

on earnings prior to 1975 and are not subject to cost-of-living increases after they become payable.

There has been a rapid increase in the number of 60/30 annuitants being paid a windfall. These employees (60/30) may receive a full annuity at age 60 if they have at least 30 years of railroad service. About 21,600 (25 percent) of the 60/30 retirees on the rolls were being paid a windfall as of December 1979 (table 3); this represents a 22 percent increase over the number one year earlier. In 1975 only 5,500 (13 percent) of the 60/30 employee annuitants on the rolls were receiving a windfall.

The number of employees receiving full-age annuities that began at age 65 or older declined over the period, but the proportion of windfall recipients among them increased. In 1975, about 101,300 full-age annuitants were being paid a windfall, representing 39 percent of all full-age retirees on the rolls at the time. Although the number being paid a windfall fell to 89,500 as of December 1979, windfall recipients then accounted for 44 percent of such employees.

The number of annuitants with benefits reduced for early retirement who received a windfall remained at about 41,000 for 1977-79. This figure represents about 61 percent of all reduced-age retirees during the same period. Reduced-age retirees, for the most part, must be insured as of their last year of railroad service prior to 1975 in order to be entitled to a windfall.

Over 31,800 disabled employees, representing 33 percent of all disability annuitants on the rolls, were being paid a windfall as of December 1979. The number paid and the proportion of disability annuitants receiving a windfall showed little change during 1977-79. Disability retirees can qualify for a windfall at the time they are awarded a railroad retirement annuity only if they are also entitled to disability benefits from social security at that time. Employees who are insured but do not qualify for disability benefits under social security must wait until age 62 to receive windfall payments, the same age when age retirees are first entitled to a windfall.

Spouses[1]

As of the end of 1979, almost 152,600 spouses were being paid a windfall, representing 65 percent of all spouses receiving annuities. The number of spouse windfall recipients has been increasing gradually during the last few years, as shown in table 1. In 1979 the average windfall paid to spouses was $91, a three percent increase over the average paid during the prior year.

There were 48,300 full-age spouse annuitants receiving a windfall as of December 1979, accounting for 71 percent of those spouses receiving a full-age annuity. The number of full-age spouse annuitants receiving a windfall has declined in recent years; however, the proportion of these annuitants paid a windfall has remained fairly constant. Spouses paid full annuities beginning prior to age 65 (spouses of 60/30 retirees or mothers with minor or disabled children) receiving a windfall numbered 25,100, or about 46 percent of all spouses receiving this type of annuity. In 1975 only 3,700 such spouses were paid a windfall, roughly 16 percent of the number being paid such an annuity at that time. The number of windfall recipients among spouses of annuitants with 30 years of service increased by 29 percent in 1979 alone. In addition, over 79,200 spouses receiving a reduced-age annuity were being paid a windfall as of December 1979, some 71 percent of the total reduced-age spouse annuitants.

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[1] Few male spouses or widowers were receiving windfall payments at the end of 1979, as explained in the next section of this article (Court Decisions).

COMPUTATION OF WINDFALL BENEFIT

I. EMPLOYEE

A. For employees qualifying under IA of the eligibility requirements, the windfall is the equivalent of a social security benefit based on social security earnings through 1974 plus the equivalent social security benefit based on railroad earnings through 1974, reduced by the equivalent social security benefit based on combined railroad retirement-social security earnings through 1974.

B. For employees qualifying under IB, computation of the benefit is the same as under IA, except for the exclusion of all earnings after the last year of railroad employment.

Both types of employee windfalls are raised by the cumulative tier I cost-of-living increases that occurred between 1-1-75 and the date of retirement without any increases thereafter.

II. SPOUSE

A. For spouses qualifying under IIA of the eligibility requirements, the windfall is the smaller of (i) the social security benefit based on the spouse's social security earnings through 1974 or (ii) one-half of the employee's tier I benefit based on railroad earnings alone. The amount of (i) or (ii) must be at least one-half of the employee's windfall, if the employee is also vested.

B. For spouses qualifying under IIB, computation of the windfall benefit is the same as under IIA except for the exclusion of all spouse earnings after the last year that the employee was in railroad service.

C. For spouses qualifying under IIC, the windfall is equal to one-half of the employee's windfall.

All types of spouse windfalls are raised by the cumulative tier I cost-of-living percentage increases between 1-1-75 and the date of the employee's retirement without any increases thereafter.

III. SURVIVOR

A. The survivor windfall is either (i) the survivor's 1937 Act regular annuity based on the employee's pre-1975 earnings, with cost-of-living increases from 1975 to the later of the beginning date of the survivor's railroad retirement or social security benefits or (ii) the railroad retirement spouse annuity previously paid, minus (iii) the sum of the survivor's net tier I and tier II benefits. As in the case of employees and spouses, the windfall is not subject to cost-of-living increases once it becomes payable.

Widows

Aged widows receiving windfall payments as of December 1979 numbered 57,500, or 20 percent of all widows being paid annuities. The proportion of aged widows entitled to a windfall has remained at roughly 20 percent of all aged widows on the rolls since 1975. Disabled widows and widowed mothers represented only a small portion of the windfall recipients among widows on the rolls. Disabled widows accounted for only 1,600 of the windfall recipients being paid at the end of 1979. Only about 100 widowed mothers were being paid a windfall.

The average windfall amount paid to aged widows increased by only 10 percent between 1975 and 1979. As of the end of 1979, aged widows were being paid an average windfall of $44. The windfall averages paid to disabled widows and widowed mothers were higher, and have been increasing more rapidly. Disabled widows were receiving an average windfall of $63 as of the end of 1979, a seven percent increase over the amount paid a year earlier. Widowed mothers were being paid an average windfall of $67 as of December 1979, reflecting a six percent increase in one year.

Court Decisions

Two suits involving windfalls were recently decided in the courts. One suit, *Gebbie, et al.* v. *Railroad Retirement Board* had been brought before the United States Court of Appeals for the Seventh Circuit on a petition for review of the Board decision denying the petitioners windfall payments under the Railroad Retirement Act of 1974.

The plaintiffs, who were retired railroad employees, began receiving auxiliary benefits under the Social Security Act in 1977, in accordance with the 1977 *Califano* v. *Goldfarb* Supreme Court decision and related cases, which held the dependency requirement for widowers' and male spouses' benefits to be unconstitutional. The Board ruled that they were not also entitled to windfall payments because non-dependent widowers and husbands were not entitled to social security benefits as of December 31, 1974, which was one of the requirements for windfall payments.

In September 1980, the Court reversed the Board's decision and held that the Board had misinterpreted the Railroad Retirement Act in denying the claimed benefits to the petitioners. The case had been submitted to the Solicitor General for a determination as to whether a Petition for a Writ of Certiorari should be filed with the Supreme Court of the United States, but the Solicitor General declined to file such Petition.

The second suit had maintained that windfall payments should be provided for future retirees qualified for railroad retirement and social security benefits before 1975, without regard to the additional vesting requirements. In December 1980, the Supreme Court decision in this suit, *U.S. Railroad Retirement Board* v. *Fritz*, upheld the dual benefit windfall provisions of the Railroad Retirement Act of 1974. The Act's dual benefit windfall vesting requirements, in effect since January 1975, consequently remain unchanged. For more information in the *Fritz* case, refer to the short article "Supreme Court Upholds RR Act" in this issue of the *RRB Quarterly Review*.

Future Windfall Payments

During fiscal year 1979, windfall payments totaled $440 million, far more than the current annual appropriation of $313 million made from U.S. Treasury general revenues. Projections indicate that windfall payments will continue to increase through the remainder of the decade. The number of windfall recipients and the amount of windfall

(Continued on p. 25)

SURVIVOR BENEFITS TO WIDOWED MOTHERS AND CHILDREN

The Railroad Retirement Act provides annuities to survivors of deceased railroad employees insured under the Act at the time of death. This article discusses annuities being paid to widowed mothers and children at the end of 1979.[1]

BENEFITS TO ELIGIBLE SURVIVORS of deceased railroad employees, whether the employee was in railroad service or retired at death, are payable either by the Railroad Retirement Board or the Social Security Administration. The Board has jurisdiction in cases where the employee had at least 10 years of railroad service and a current connection at retirement or death. A current connection exists if the employee had at least 12 months of railroad work within a 30 month period before his death or retirement that was not followed by regular nonrailroad employment. Regardless of which agency has jurisdiction, survivor benefits are based on the deceased employee's combined railroad retirement and social security creditable earnings.

Under railroad retirement law, three categories of children can qualify for survivor benefits: (1) minor children under age 18; (2) full-time students age 18-21; and (3) disabled children age 18 or older if disability occurred before age 22. Minor children's annuities cease at age 18, unless they qualify as students or disabled children. Students' annuities continue until the end of the semester in which they turn 22. Disabled children must be judged permanently disabled in order to qualify, so nearly all these children receive benefits for life. Widowed mothers under age 60 can be paid widowed mothers' annuities as long as they have in their care a minor or disabled child, as described above. In most cases, the mothers' annuities end when their youngest child turns age 18. Widows age 50-59 who do not qualify on the basis of caring for a child can be paid survivor benefits only if they qualify as disabled widows, but these annuities are always smaller than widowed mothers' annuities. Mothers age 60 or older qualify for the larger aged widows' annuities. Widowed mothers' annuities still being paid when the mother attains age 65 are converted to aged widows' annuities, except for a few cases in which the widow does not qualify for the larger benefit.

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[1] The Board has been awarding annuities to fathers only since 1977, and relatively few were on the rolls at the end of 1979. References to widowed mothers apply equally to fathers.

Under the Railroad Retirement Act of 1974, survivor benefits are structured into component tiers, similar to employee and spouse benefits. For widowed mothers' or children's annuities, the gross tier I component generally equals 75 percent of the deceased employee's gross tier I, using combined railroad and social security covered earnings. This is equivalent to a mother's or child's insurance annuity payable under the Social Security Act and is reduced by the amount of any social security benefit that the mother or child is receiving. The tier II component is 30 percent of the survivor tier I before reduction for social security entitlement. When families include at least three beneficiaries–a widow with children or children alone–the social security family maximum will apply to the total family tier I amount and all tier I benefits are reduced proportionately. Because tier II is 30 percent of tier I, the reductions are also reflected in the tier II amounts. Widowed mothers who were receiving a spouse annuity before the employee died are guaranteed that their survivor benefits will not be less than what they were paid as a spouse. Any additional amount required by this guarantee is included as part of tier II.

Widowed mothers (as well as aged and disabled widows) may be entitled to a windfall component, if (1) they were permanently insured for social security benefits on their own earnings as of December 31, 1974, (2) the deceased employee had 10 years of pre-1975 railroad service, and (3) they meet age or disability requirements for entitlement. Not many widowed mothers meet these conditions, and of the 5,300 mothers on the rolls at the end of 1979, less than 100 (about 1.5 percent) were being paid windfalls.

Survivor annuitants on the Board's rolls on December 31, 1979, included about 5,300 widowed mothers and 28,400 children–12,000 minor, 6,000 student and 10,400 disabled. These beneficiaries represented about 10 percent of all survivors being paid at that time (88 percent were aged widow(er)s and two percent disabled widow(er)s). Table 1 shows the distribution by amount of annuity paid these four types of survivors. Annuities to widowed mothers averaged $338; those paid to minor, student and disabled children averaged $319, $341 and $259, respectively. The average for disabled children was substantially lower than the others because such annuities are generally based on earlier earnings records–earnings which were usually lower and subject to lower taxable ceilings. This is because disabled children, who are paid for life, are generally on the rolls for much longer periods of time than other survivors. At the end of 1979, disabled children had been on the rolls an average of 13 years, compared to 6.5 years for widowed mothers and 6 years for minor children.

Monthly survivor benefit amounts have increased considerably since 1975, the first year under the 1974 Act, largely due to annual cost-of-living increases. From early in 1975 to the end of 1979, average annuities paid to widowed mothers and children increased by 53 percent and 60 percent, respectively. By law, the survivor tier I component is increased by the cost-of-living percentage applied to social security benefits; tier II, being 30 percent of tier I, receives the same percentage increase. Windfall benefits are not increased for the cost of living once they become payable. Cost-of-living increases appli-

Table 1.–Widowed mothers' and children's annuities in current-payment status on December 31, 1979, by type of beneficiary and by amount

Amount of annuity	Widowed mothers[1]		Children					
			Minor, under age 18[2]		Student, age 18-22		Disabled, age 18 or older	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Less than $100	31	1	214	2	73	1	578	6
$100 to $119.99	32	1	136	1	46	1	194	2
$120 to $139.99	54	1	196	2	55	1	241	2
$140 to $159.99	64	1	225	2	75	1	214	2
$160 to $179.99	79	1	388	3	91	2	772	7
$180 to $199.99	144	3	467	4	118	2	582	6
$200 to $219.99	151	3	429	4	167	3	717	7
$220 to $239.99	178	3	552	5	158	3	675	6
$240 to $259.99	241	5	667	6	255	4	829	8
$260 to $279.99	239	5	587	5	282	5	810	8
$280 to $299.99	250	5	549	5	229	4	1,088	10
$300 to $319.99	403	8	926	8	331	5	714	7
$320 to $339.99	642	12	1,256	10	620	10	1,248	12
$340 to $359.99	600	11	1,169	10	911	15	904	9
$360 to $379.99	548	10	1,081	9	701	12	393	4
$380 to $399.99	380	7	793	7	499	8	196	2
$400 to $419.99	365	7	650	5	450	7	114	1
$420 to $439.99	277	5	519	4	323	5	70	1
$440 to $459.99	218	4	362	3	223	4	30	(3)
$460 to $479.99	181	3	330	3	145	2	21	(3)
$480 to $499.99	135	3	276	2	153	3	23	(3)
$500 and over	70	1	210	2	126	2	10	(3)
Total	5,282	100	11,982	100	6,031	100	10,423	100
Average amount	$338		$319		$341		$259	

[1] Includes fathers. Excludes 30 annuities to widowed mothers temporarily being paid at spouse rates pending final adjudication of survivor annuities.

[2] Includes 75 annuities to children age 18 being paid as minor children pending a change of basis to student or disabled child.

[3] Less than 0.5 percent.

	Status of employee at death								
	Nonretired			Retired			Total		
Type of beneficiary	Number	Percent of total	Average annuity	Number	Percent of total	Average annuity	Number	Percent of total	Average annuity
Widowed mothers . . .	3,417	65	$350	1,865	35	$316	5,282	100	$338
Minor children, under age 18	8,178	68	332	3,804	32	291	11,982	100	319
Student children, age 18-22	4,150	69	352	1,881	31	316	6,031	100	341
Disabled children, age 18 or older	3,127	30	266	7,296	70	257	10,423	100	259
All children	15,455	54	324	12,981	46	275	28,436	100	302

cable to survivor benefits in June of the five years 1975 through 1979 were 8.0 percent, 6.4 percent, 5.9 percent, 6.5 percent and 9.9 percent, respectively.[2]

The table above shows the numbers and average annuity amounts, by retired or nonretired status of deceased employee, of widowed mothers and children on the rolls on December 31, 1979. For the mothers, as well as the minor and student children, the deceased employee was more likely not to have been retired at death. On the other hand, the employee was much more likely to have been retired in the case of disabled children, who are older than minor children and frequently older than student children when they come on the rolls. For all four beneficiary types, the average annuity was greater for the nonretired group, since these employees generally had more recent and therefore higher earnings.

Numbers of annuities being paid to widowed mothers and minor children have been declining since around 1950, a few years after the survivor insurance program began (1947). This is mainly due to the long-term decline in railroad employment, as these beneficiaries are generally survivors of employees who were in railroad service when they died. The number of disabled children's annuities being paid has been steadily increasing since 1954, the first year children were entitled to benefits on the basis of disability. Although the annual number of disability awards did not increase over the years, the termination rate has always been low, since disabled children are usually paid for life. Students have been paid benefits since 1966, and the number on the rolls has fluctuated somewhat, depending on employment levels as well as trends in college enrollment. In 1978 and 1979, however, the number dropped significantly. Table 2 shows numbers of annuities in payment status, by type of beneficiary, as well as average railroad employment, for selected years since 1947.

The average age of widowed mothers on the rolls at year-end 1979 was 51½ years, and 70 percent of the mothers were in the 45-59 age group. Minor children averaged about 14½ years, and student children 20 years. Ages of disabled children ranged from 18 to 91 and averaged 48 years. About half of these children were in their forties or fifties. For more information about ages of mothers and children, including 1978 age distributions, see

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[2] **Effective June 1980, survivor benefits were adjusted for the 14.3 percent social security increase. Amounts quoted in this article do not reflect this change.**

Table 2.–Widowed mothers' and children's annuities in current-payment status at end of year and awarded in year, by type of beneficiary, and average railroad employment, selected years 1947-79

Calendar year	Widowed mothers[1]		Children						Average railroad employment[4] (thousands)
			Minor, under age 18		Student, age 18-22[3]		Disabled, age 18 or older		
	Annuities in current-payment status at end of year[2]	Annuities awarded in year	Annuities in current-payment status at end of year	Annuities awarded in year	Annuities in current-payment status at end of year	Annuities awarded in year	Annuities in current-payment status at end of year	Annuities awarded in year	
1947	6,700	8,500	20,100	21,800	....	....	....	....	1,598
1948	12,000	9,800	37,000	22,800	....	....	....	....	1,558
1949	13,100	4,100	42,300	10,400	....	....	....	....	1,403
1950	13,500	3,600	45,900	9,400	....	....	....	....	1,421
1955	11,500	2,100	43,200	4,700	....	....	[5]1,300	[5]1,200	1,239
1960	11,600	2,200	36,800	5,200	....	....	4,200	500	909
1965	9,700	1,800	28,900	4,500	....	....	6,400	400	753
1966	9,400	1,800	27,600	4,500	1,200	200	6,700	500	741
1967	8,900	1,600	26,200	3,700	6,100	1,400	7,100	500	713
1968	8,700	1,500	25,300	3,700	6,400	900	7,300	500	683
1969	8,300	1,600	24,700	3,800	6,400	1,100	7,700	500	659
1970	8,200	1,400	24,000	3,400	6,600	900	8,000	400	640
1971	7,700	1,400	23,000	3,400	6,700	1,000	8,300	400	611
1972	7,400	1,300	22,000	3,200	6,500	1,000	8,600	400	589
1973	7,400	1,300	20,700	2,900	6,500	800	8,700	500	584
1974	7,100	1,200	19,000	2,600	6,200	800	9,300	500	592
1975	6,800	1,200	17,600	2,400	6,800	700	9,600	500	548
1976	6,500	1,100	16,200	2,200	6,700	800	9,800	400	540
1977	6,200	1,000	14,800	2,000	6,800	700	10,100	400	546
1978	5,800	900	13,300	1,900	6,300	700	10,200	400	542
1979	5,300	800	12,000	1,700	6,000	600	10,400	400	555

[1] Includes annuities to fathers from 1977 on.

[2] Excludes annuities to mothers temporarily being paid at spouse rates pending final adjudication of survivor annuities.

[3] Age 18-21 before 1973.

[4] Average of 12 mid-monthly figures.

[5] Disabled children's annuities in current-payment status and awarded were estimated to have numbered about 100 each for 1954, the first year children were eligible on the basis of disability.

"Ages of Survivor Annuitants," *Quarterly Review* 1979-Number 4 (August 1980), pp. 17-22.

The following table shows the distribution of widowed mothers on the rolls at the end of 1979 by number and types of child beneficiaries within the family. In 70 percent of the cases, families consisted of a mother with minor children only, most often one minor child. For another 18 percent of the mothers, the family included at least one student or disabled child in addition to minor children. Only 12 percent of the mother-children families were without any minor children; most of these families consisted of a mother with one disabled child.

Family members on rolls Widowed mother and–	Number of mothers
1 child:	
Minor	2,504
Disabled	585
Total	3,089
2 children:	
Both minor	808
1 minor, 1 student	499
1 minor, 1 disabled	81
All others	56
Total	1,444
3 or more children:	
All minor	395
Minor and student only	299
Minor and disabled only	27
All others	22
Total	743
Total[1]	5,282

[1] Includes six cases in which the children's annuities were being withheld on December 31, 1979.

The 28,400 children on the rolls were members of about 21,700 beneficiary families, including 9,900 families composed of one child alone. The table on the next page compares numbers of children by type of widow, if any, in the family, for the three types of child beneficiaries. The majority (57 percent) of minor children were in families with a widowed mother or father, although 40 percent were in families without a widow(er). Most students were in children-only families–43 percent alone and 27 percent with one or more other children. Disabled children constituted one-child families for the most part, but otherwise were apt to be in families with an aged widow. Of all children on the rolls, 54 percent were in families without a widow(er) on the rolls, 30 percent in families with a mother or father, and 16 percent in families with an aged or disabled widow(er). Of the 8,600 children in widowed-mother families, 80 percent were minor.

For the same size family, total benefits tended to be higher for families with a widowed mother than for families with children only, since the employee was more likely to have retired later for the mother-children families. Families with an aged or disabled widow and one or more children received the lowest family amounts. Moreover, these families generally had fewer child beneficiaries, averaging only about 1.1 children per family. Widowed-mother families averaged about 1.6 children, and children-only families about 1.3 children per family. Families with more children, of course, typically received higher family benefits. However, there was little difference in average family amounts between three-beneficiary families and families with four or more members, because of maximum limits on family benefits mentioned earlier. In fact, average benefits dropped slightly when families exceeded three members–for both widowed-mother and children-only families.

Family members on rolls	Minor children, under age 18	Student children, age 18-22	Disabled children, age 18 or older	All children
Children only:				
1 child	1,530	2,615	5,764	9,909
2 or more children	3,219	1,636	575	5,430
1 or more children and:				
Widowed mother	6,816	950	810	8,576
Aged widow	391	636	3,174	4,201
Disabled widow	26	194	100	320
Total	11,982	6,031	10,423	28,436

WINDFALL PAYMENTS

(Continued from p. 18)

payments made annually will eventually decline, since recipients must be insured under both the railroad retirement and social security systems as of the end of 1974 at the latest to qualify. Despite their inevitable decline in number, substantial windfall payments are expected to continue well into the 21st century.

EMPLOYEE DISABILITY RETIREMENTS

In calendar year 1979, nearly 26,000 employees who had retired from the railroad industry were awarded annuities. About 6,000 of these awards were because of disability. This article discusses some of the more important characteristics associated with these retirements.

DURING THE 44-YEAR PERIOD from 1936 through 1979, over 373,000 disability annuities were awarded. At the end of 1979, about 97,000 disabled employees were receiving monthly benefits (including 54,000 who were age 65 or older and thus technically receiving age annuities). In calendar year 1979, the Board paid over $500 million to individuals who initially retired on the basis of disability. Since 1975, disability annuity awards have numbered between 6,000 and 7,500 per year. The table below shows the number of disability annuity awards for the 1970-79 period, the average amount of such awards, and their proportion of all regular employee annuities awarded.

Year	Number of employee disability annuities awarded	Average annuity awarded	Percent of all regular employee annuities awarded
1970	7,430	$215	22
1971	9,175	256	24
1972	11,288	319	30
1973	11,306	341	33
1974	9,493	362	23
1975	7,560	388	18
1976	6,174	421	20
1977	7,361	460	25
1978	6,083	507	23
1979	5,978	569	23

In the 1970-79 period, disability annuity awards accounted for as much as 33 percent of all regular employee annuities awarded (in 1973) and as little as 18 percent of the total awarded (1975). In 1972 and 1973, the large number of employees awarded disability annuities can be partly attributed to changes in the railroad retirement benefit formula in the

Table 1.–Disposition of employee disability annuity claims and disability freeze determinations among claims allowed, by disability group, calendar year 1979

Disability group	Employee disability annuity claims					Disability freeze determinations[1]	
	Filed	Allowed			Denied		
		Total	Total disability	Occupational disability		Allowed	Denied
Infective and parasitic diseases	17	16	4	12	1	13	3
Neoplasms	507	491	196	295	16	430	37
Endocrine, nutritional and metabolic diseases	230	196	46	150	34	113	77
Diseases of the blood and blood-forming organs	16	15	7	8	1	13	2
Mental disorders	407	344	150	194	63	234	86
Diseases of the nervous system and sense organs	433	389	88	301	44	238	147
Diseases of the circulatory system	2,384	2,242	694	1,548	142	1,843	333
Diseases of the respiratory system	451	412	165	247	39	337	55
Diseases of the digestive system	142	120	36	84	22	95	18
Diseases of the genito-urinary system	33	31	18	13	2	30	1
Diseases of the skin and subcutaneous tissues	10	10	2	8	....	6	4
Diseases of the musculoskeletal system and connective tissues	1,963	1,636	389	1,247	327	1,026	567
Symptoms and ill-defined conditions	117	76	27	49	41	47	27
Total	6,710	5,978	1,822	4,156	732	4,425	1,357

[1] Disability freeze determinations are with respect to claims allowed in the year. They exclude 180 cases in which the employee did not meet the service requirements for a disability freeze and 16 cases in which the employee died or reached age 65 within five months after becoming disabled. The disability freeze is identical to the term "period of disability" as defined under the Social Security Act.

NOTE.—For age annuitants there were 154 freeze determinations allowed and 46 denied during 1979.

years 1970-72, which had the cumulative effect of raising employee retirement benefits by about 50 percent. Thus, for many employees who were receiving sickness benefits (then about $265 per month), it became advantageous to apply for disability annuities. The rapid drop in the proportion awarded disability annuities thereafter reflects the unusually large number of age retirements following liberalizations in the 1973 amendments to the Railroad Retirement Act. Those amendments, effective in 1974, provided full age annuities at age 60 for railroad workers with at least 30 years of service. Disabled workers could retire without having to establish disability if they met those requirements.

There are two types of disability annuities: one is on the basis of total disability for all employment, the other on disability only for the employee's regular occupation. Determinations of disability are made by Board personnel trained in disability evaluation. The medical evidence needed for evaluation is usually obtained from the employee's physician, medical departments of the railroads or employee hospital associations. In the evaluation of total disability, non-medical factors such as age, education and work experience of the applicant are taken into account for purposes of ascertaining the individual's ability to perform at a regular job. In the evaluation of occupational disability, disqualification from employment by a railroad doctor is usually sufficient to satisfy the medical requirements for a disability annuity. To be awarded an annuity on the basis of occupational disability, an employee must have recent railroad employment and either be age 60 or older with 10 years of service or any age with at least 20 years of service.

Nearly 90 percent of the 6,700 employees who filed applications for disability annuities in 1979 were found to meet the requirements for disability and were awarded annuities. Among the claims denied were those made by employees under age 60 with less than 20 years of service who did not meet the more stringent requirements for total disability, but who would meet the requirements for occupational disability upon attaining age 60. Also, some of the claims that were denied may be allowed at a later date if the employee's condition grows worse.

Almost 2,300 of the applications processed in 1979 were evaluated for disability for all employment and 4,400 were evaluated for occupational disability. Nearly all (94 percent) of the applications for an occupational disability annuity were allowed. The Board usually evaluates applications on the basis of occupational rather than total disability if the age and service requirements are met. This is because the medical standards are less stringent for an occupational disability and therefore the payment of the annuity can be expedited. Employees retiring because of disability (and in certain instances, employees retiring because of age) are also evaluated for disability under social security medical standards. For those who meet these standards, a "period of disability," or "disability freeze," is established which may be excluded from the annuity computation. This is in the annuitant's interest because (1) he or she may qualify for Medicare before age 65, (2) the tier I amount is usually higher than otherwise, and (3) in some cases a minimum guarantee applies. This guarantee provides benefits at least equal to those which would be provided under social security and may represent an increase in benefits, particularly in cases where there are family members who would have been eligible for benefits under social security law but not under the Railroad Retirement Act. Nearly 4,600 of the employee annuities awarded during 1979 met the social security medical standards for a period of disability and were awarded a freeze. About 150 freeze determinations were allowed to annuitants who were disabled but were awarded an age annuity; the vast majority of these annuitants retired at ages 60-64 with 30 or more years of service.

Table 2.–Employee disability annuities awarded in calendar year 1979, by age of employee and disability group

Disability group	Total		Age on annuity beginning date									
			Under 45		45-49		50-54		55-59		60-64	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Infective and parasitic diseases	16	(1)	....	....	....	....	2	(1)	9	(1)	5	(1)
Neoplasms	491	8	19	8	35	7	122	8	233	9	82	7
Endocrine, nutritional and metabolic diseases	196	3	7	3	23	4	53	4	75	3	38	3
Diseases of the blood and blood-forming organs	15	(1)	....	....	1	(1)	1	(1)	11	(1)	2	(1)
Mental disorders	344	6	37	15	49	9	107	7	122	5	29	3
Diseases of the nervous system and sense organs	389	7	25	10	28	5	88	6	169	7	79	7
Diseases of the circulatory system	2,242	38	53	21	172	32	538	36	995	39	484	42
Diseases of the respiratory system	412	7	4	2	20	4	82	6	190	7	116	10
Diseases of the digestive system	120	2	8	3	17	3	32	2	49	2	14	1
Diseases of the genito-urinary system	31	1	3	1	2	(1)	11	1	14	1	1	(1)
Diseases of the skin and subcutaneous tissues	10	(1)	....	....	....	....	3	(1)	6	(1)	1	(1)
Diseases of the musculoskeletal system and connective tissues	1,636	27	90	36	177	33	428	29	653	26	288	25
Symptoms and ill-defined conditions	76	1	5	2	9	2	21	1	29	1	12	1
Total	5,978	100	251	100	533	100	1,488	100	2,555	100	1,151	100

[1] Less than 0.5%.

In recent years there has been little change in the distribution of disability retirements according to disability group. Six of the thirteen disability groups have consistently accounted for over 90 percent (92 percent in 1979) of the yearly retirements. Two of these groups—diseases of the circulatory system and diseases of the musculoskeletal system and connective tissues—have together accounted for between 64 and 66 percent of the yearly disability retirements. The other four groups—neoplasms, mental disorders, diseases of the nervous system and sense organs, and diseases of the respiratory system—have among them accounted for between 26 and 28 percent of the yearly retirements.

Diseases of the circulatory system have been the major cause of disability since the inception of the Railroad Retirement Act and they accounted for 38 percent of the disability retirements in 1979 (see table 1). This group has accounted for as little as 32 percent (in 1967) and as much as 42 percent (1971) of disability awards. In recent years this percentage has been more or less level. On the other hand, diseases of the musculoskeletal system and connective tissues (generally arthritic and rheumatic conditions) have accounted for an increasing proportion of disability retirements. This disability group accounted for 22 percent of the disability retirements in 1970, 23 percent in 1974 and 27 percent in 1979.

Table 2 shows the distribution of disability annuities awarded in 1979 by disability group and by age at the time of benefit accrual. In certain cases the age shown is not the same as the age when the annuitant became disabled. For example, the annuitant may become occupationally disabled before meeting the age or service requirements for an occupational disability annuity. Also, the employee may elect to receive sickness benefits for a period of time before filing an application for a disability annuity.

Two disability groups become increasingly responsible for disability retirement with advancing age. Diseases of the circulatory system, which were the cause of 21 percent of all disability retirements beginning at ages under 45, were the cause of 39 percent of disability retirements at ages 55-59. Similarly, diseases of the respiratory system were the cause of only two percent of the disability retirements under age 45, compared to seven percent for those ages 55-59. In contrast, diseases of the musculoskeletal system and connective tissues accounted for 36 percent of the disability retirements under age 45, compared to 26 percent for those ages 55-59. Also, mental disorders caused 15 percent of the retirements of those under 45, compared to just five percent for those ages 55-59.

COVERAGE RULINGS

Service for the following was determined to be creditable from the date specified:

CHICAGO, MADISON and NORTHERN RAILWAY COMPANY–February 1, 1980

CHIPPEWA RIVER RAILROAD COMPANY–April 1, 1976

FALLS CREEK RAILROAD COMPANY–September 20, 1980

IDAHO WESTERN RAILWAY COMPANY–May 1, 1980

KYLE RAILWAYS, INC.–July 1, 1978

LITTLE ROCK & WESTERN RAILWAY COMPANY–June 1, 1980

NORTH COAST LINES, INC.–March 17, 1980

OKLAHOMA, KANSAS and TEXAS RAILROAD COMPANY–June 6, 1980

ST. MARIES RIVER RAILROAD COMPANY–May 1, 1980

SOUTHEASTERN WISCONSIN TRANSPORTATION CORPORATION d/b/a WISCONSIN CENTRAL RAILROAD–March 1, 1980

TRANS–ACTION ASSOCIATES, INC.–April 28, 1974

WESTERN OHIO RAILROAD COMPANY–November 27, 1976

WISCONSIN & SOUTHERN RAILROAD COMPANY–July 1, 1980

"Employer" status was terminated for the following on the date specified:

JOINT RAILWAY AGENCY (SOUTH ST. PAUL, MN)–January 1, 1976

LAKE COAL DEMURRAGE COMMITTEE–August 9, 1978

LOUISIANA & PINE BLUFF RAILWAY COMPANY–August 1, 1980

RAILWAY EMPLOYEES' DEPARTMENT of the AMERICAN FEDERATION OF LABOR–October 1, 1980

TIDEWATER COAL DEMURRAGE COMMITTEE–May 31, 1978

WELLSVILLE, ADDISON & GALETON RAILROAD CORPORATION–January 1, 1980

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STATISTICAL TABLES

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Table 1.–Operations of the Railroad Retirement Accounts, fiscal years 1976-79
(In thousands)

Fiscal year or quarter	Receipts				Expenditures				Balance end of period
	Total[1]	Tax transfers[2]	Interest and profit on investments	Transfers under financial interchange[3]	Total[4]	Benefit payments	Net transfers to administration[5]	Transfers under financial interchange[6]	
	Railroad Retirement Account								
Cumulative July 1936-June 1980	$57,158,932	$33,223,458	$5,228,084	$16,414,746	$54,322,500	$51,340,597	$456,706	$1,596,997	$2,836,432
1975-76	3,334,451	1,552,845	247,503	1,238,669	3,569,305	3,357,219	29,356	137,722	3,714,720
July-Sept. 1976[7]	500,090	464,834	16,106	....	1,057,703	888,295	6,354	142,850	3,157,108
1976-77	3,590,852	1,783,723	231,907	1,207,523	3,818,685	3,670,227	30,832	....	2,929,276
1977-78	4,159,243	1,856,468	209,063	1,618,461	4,315,757	3,871,524	31,119	213,745	2,772,761
1978-79	4,532,012	2,289,708	186,799	1,477,438	4,646,933	4,154,770	35,136	191,149	2,657,840
Quarter–									
Apr.-June 1979	2,172,612	566,108	63,208	1,477,438	1,305,979	1,038,055	8,850	191,149	3,151,631
July-Sept. 1979	687,553	607,487	4,905	....	1,181,344	1,100,261	7,378	....	2,657,840
Oct.-Dec. 1979	1,104,064	582,164	131,765	....	1,185,266	1,103,962	4,587	....	2,576,639
Jan.-Mar. 1980	748,105	595,085	73,798	....	1,202,014	1,114,195	7,375	....	2,122,730
Apr.-June 1980	2,195,664	631,532	50,139	1,429,879	1,481,961	1,148,233	6,700	244,280	2,836,432
	Railroad Retirement Supplemental Account								
Cumulative Nov. 1966-June 1980	$1,148,307	$1,122,323	$25,984	....	[8]$1,116,959	$1,108,268	$7,296	....	$31,348
1975-76	91,122	89,078	2,044	....	113,043	112,301	742	....	16,002
July-Sept. 1976[7]	32,636	32,522	114	....	28,686	28,578	109	....	19,951
1976-77	126,437	124,771	1,665	....	117,520	116,718	802	....	28,868
1977-78	120,387	118,127	2,260	....	117,186	116,609	576	....	32,069
1978-79	122,635	119,775	2,860	....	120,684	120,092	592	....	34,020
Quarter–									
Apr.-June 1979	29,637	28,308	1,329	....	30,194	30,044	150	....	33,436
July-Sept. 1979	30,895	30,654	241	....	30,310	29,985	325	....	34,020
Oct.-Dec. 1979	30,518	29,065	1,453	....	30,349	30,151	198	....	34,190
Jan.-Mar. 1980	28,542	27,534	1,008	....	30,687	30,562	125	....	32,045
Apr.-June 1980	29,884	28,986	898	....	30,581	30,381	200	....	31,348

See footnotes on page 40

Table 2.—Number and average amount of railroad retirement annuities in current-payment status and awarded, by type of annuity, fiscal years 1976-79

Fiscal year or quarter	Regular retirement annuities									Supplemental annuities		Spouse annuities	
	Total number	Age				Disability							
		65 and over[9]		Under 65[9]		65 and over[9]		Under 65[9]					
		Number	Average amount	Number	Average amount	Number	Average amount	Number	Average amount	Number	Average amount	Number	Average amount
	In current-payment status at end of period												
1975-76	464,200	323,900	$339	39,600	$504	57,000	$293	43,800	$375	156,700	$59	223,800	$165
July-Sept 1976[7]	464,600	322,300	341	42,300	516	56,900	294	43,100	379	159,200	59	225,200	167
1976-77	464,100	319,500	362	44,900	565	56,300	312	43,400	410	169,300	57	230,800	178
1977-78	460,000	315,100	386	46,600	617	55,300	331	43,000	443	176,300	55	232,500	191
1978-79	455,400	311,600	426	47,000	695	54,400	360	42,500	494	182,700	54	233,600	210
Quarter–													
Apr.-June 1979	454,800	311,800	422	45,900	686	54,500	359	42,600	491	181,000	54	232,700	208
July-Sept. 1979	455,400	311,600	426	47,000	695	54,400	360	42,500	494	182,700	54	233,600	210
Oct.-Dec. 1979	455,400	311,300	429	47,300	705	54,200	362	42,600	499	184,500	54	234,100	212
Jan.-Mar. 1980	453,400	309,200	432	48,000	716	53,800	363	42,400	503	186,300	53	233,700	215
Apr.-June 1980	450,500	308,200	480	46,600	791	53,600	404	42,200	563	187,100	53	233,200	234
	Awarded during period[10]												
Cumulative July 1936-June 1980	[11] 1,528,900	879,900	......	224,600	......	......	......	375,900	......	250,700	......	763,300	......
1975-76	35,700	7,100	$362	21,300	$489	......	......	7,300	$375	21,700	$42	26,300	$184
July-Sept. 1976[7]	9,500	2,100	364	6,000	543	......	......	1,400	397	4,900	42	7,200	200
1976-77	29,300	6,400	391	15,700	555	......	......	7,100	460	16,400	41	26,300	215
1977-78	26,900	5,700	435	14,900	599	......	......	6,300	490	14,400	41	23,600	222
1978-79	25,500	5,100	470	14,500	682	......	......	5,800	547	14,700	41	22,300	246
Quarter–													
Apr.-June 1979	4,900	1,100	435	2,400	646	......	......	1,400	555	3,600	41	5,100	243
July-Sept. 1979	7,800	1,500	520	4,900	737	......	......	1,400	573	3,600	41	6,100	259
Oct.-Dec. 1979	6,800	1,300	509	4,000	730	......	......	1,500	578	3,600	42	5,400	260
Jan.-Mar. 1980	6,900	1,200	498	4,200	740	......	......	1,500	579	4,300	42	5,900	271
Apr.-June 1980	4,400	1,200	386	1,900	657	......	......	1,300	600	3,000	41	4,800	250

See footnotes on page 40

Table 3.–Number and average amount of survivor benefits in current-payment status and awarded, by type of benefit, fiscal years 1976-79

Fiscal year or quarter	Monthly benefits									Insurance lump sums[13]		Residual payments	
	Total number[12]	Aged widows and widowers		Disabled widows and widowers		Widowed mothers and fathers		Children					
		Number	Average amount	Number	Average amount	Number	Average amount	Number	Average amount	Number	Average amount	Number	Average amount
	In current-payment status at end of period												
1975-76	337,700	291,100	$250	5,600	$212	6,700	$252	33,500	$227	......	......	......	......
July-Sept. 1976[7]	337,500	291,500	250	5,700	212	6,600	256	32,800	230	......	......	......	......
1976-77	337,400	292,700	267	6,200	228	6,300	275	31,600	248	......	......	......	......
1977-78	335,500	292,300	285	6,500	242	5,900	301	30,200	269	......	......	......	......
1978-79	333,300	292,100	314	6,800	265	5,400	336	28,500	300	......	......	......	......
Quarter–													
Apr.-June 1979	334,300	292,500	314	6,700	265	5,500	332	29,100	298	......	......	......	......
July-Sept. 1979	333,300	292,100	314	6,800	265	5,400	336	28,500	300	......	......	......	......
Oct.-Dec. 1979	333,100	292,000	315	6,800	265	5,300	338	28,400	302	......	......	......	......
Jan.-Mar. 1980	331,600	291,200	316	6,900	265	5,100	338	28,000	303	......	......	......	......
Apr.-June 1980	331,400	290,900	360	7,000	301	5,100	388	27,900	347	......	......	......	......
	Awarded during period												
Cumulative Jan. 1947-June 1980	989,400	686,800	......	9,700	......	76,300	......	206,100	......	547,900	......	300,800	......
1975-76	23,200	17,800	$272	800	$189	1,100	$251	3,500	$223	12,400	$744	1,900	$5,958
July-Sept. 1976[7]	6,300	4,800	289	200	205	300	281	1,000	252	4,200	752	500	6,038
1976-77	24,100	19,200	297	700	224	1,000	289	3,200	263	13,000	757	1,700	6,123
1977-78	22,200	17,700	315	600	237	900	317	3,000	287	12,300	766	1,400	5,873
1978-79	21,100	17,000	345	600	261	800	344	2,700	316	12,000	771	1,200	6,191
Quarter–													
Apr.-June 1979	5,600	4,400	342	100	252	200	328	800	307	3,500	772	300	6,031
July-Sept. 1979	5,500	4,500	368	200	287	200	365	700	336	3,000	779	300	6,506
Oct.-Dec. 1979	4,700	3,800	375	100	286	200	369	600	330	2,600	779	200	5,624
Jan.-Mar. 1980	4,900	4,000	376	200	274	200	360	600	337	2,800	779	300	5,671
Apr.-June 1980	5,400	4,200	385	100	306	300	377	800	350	3,500	777	300	5,653

See footnotes on page 40

Table 4.–Operations of the Railroad Unemployment Insurance Accounts, fiscal years 1976-79

(In thousands)

Fiscal year or quarter	Receipts		Expenditures		Repayments and transfers[15]	Cash balance[16]	Due Railroad Retirement Account	Net deficit
	Total[14]	Contributions	Total	Benefit payments				
Railroad Unemployment Insurance Account								
Cumulative								
July 1939-June 1980	$4,721,269	$4,197,906	$4,680,484	$4,563,576	...	...	...	...
1975-76	113,033	109,852	217,958	217,913	(17)	$8,944		...
July-Sept. 1976[7]	35,044	33,973	46,727	46,619	...	2,861	$5,604	$2,744
1976-77	176,068	169,203	183,186	179,690	...	36,143	46,000	9,857
1977-78	209,840	204,269	200,081	197,313	$14,700	31,202	31,300	98
1978-79	198,584	193,701	142,696	141,941	31,300	55,790	...	...
Quarter–								
Apr.-June 1979	45,903	45,664	30,148	30,146	...	33,916	...	...
July-Sept. 1979	49,605	45,703	27,732	27,732	...	55,790	...	...
Oct.-Dec. 1979	46,436	45,790	39,454	39,454	...	62,772	...	...
Jan.-Mar. 1980	47,046	46,143	60,011	60,011	...	49,807	...	...
Apr.-June 1980	36,529	35,657	45,551	45,551	...	40,785	...	...
Railroad Unemployment Insurance Administration Fund								
Cumulative								
July 1939-June 1980	$429,201	$404,645	$281,195	...	$140,488	...	...	...
1975-76	8,767	8,523	8,914	...	...	$5,896	...	...
July-Sept. 1976[7]	3,468	3,353	2,337	...	910	6,123	...	...
1976-77	15,681	15,377	9,382	...	6,452	6,458	...	...
1977-78	14,090	13,614	10,114	...	4,266	6,157	...	...
1978-79	14,312	13,824	10,414	...	3,623	6,260	...	...
Quarter–								
Apr.-June 1979	3,596	3,486	2,554	...	...	8,826	...	...
July-Sept. 1979	3,652	3,518	2,611	...	3,623	6,260	...	...
Oct.-Dec. 1979	3,687	3,523	2,971	...	...	6,921	...	...
Jan.-Mar. 1980	3,671	3,549	2,980	...	...	7,609	...	...
Apr.-June 1980	2,501	2,354	2,596	...	...	7,518	...	...

See footnotes on page 40

Table 5.–Beneficiaries, benefit payments and related data on operations under the railroad unemployment and sickness insurance program, benefit years 1976-80

Benefit year or quarter	Qualified employees	Applications	Claims	Payments[18]			Net amount paid (thousands)	Beneficiaries	Exhaustions of normal benefits	Placement of unemployment claimants
				Number	Average amount					
					Per registration period	Per week				
Unemployment insurance										
1976-77	617,000	102,500	640,800	604,500	$190.96	$122.90	$111,239	84,000	13,400	5,800
1977-78	602,600	112,200	652,700	604,400	194.76	124.15	110,766	95,000	10,500	5,600
1978-79	607,500	124,800	580,600	523,100	198.60	124.65	100,795	97,000	7,100	4,000
1979-80	609,200	136,900	650,200	531,800	198.94	124.45	112,706	99,000	11,200	3,900
Quarter–										
Apr.-June 1979	....	15,800	98,800	88,500	186.86	124.70	16,271	34,000	2,700	900
July-Sept. 1979	....	36,800	87,900	77,200	191.72	123.85	13,637	31,000	600	700
Oct.-Dec. 1979	....	32,700	142,200	125,700	190.42	124.45	22,550	48,000	300	800
Jan.-Mar 1980	....	33,500	234,000	216,000	205.99	124.70	43,424	59,000	4,500	1,000
Apr.-June 1980	....	33,800	186,100	166,400	198.27	124.75	33,096	55,000	5,700	1,400
Sickness insurance										
1976-77	617,000	107,600	550,700	514,200	$229.65	$122.80	$77,973	84,000	12,400	....
1977-78	602,600	107,800	513,600	472,400	231.69	124.30	72,825	82,000	11,100	....
1978-79	607,500	103,500	486,000	447,000	231.68	124.75	64,235	78,000	10,100	....
1979-80	609,200	102,800	469,100	384,800	230.96	124.80	60,043	75,000	9,500	....
Quarter–										
Apr.-June 1979	....	21,300	114,200	105,400	230.61	124.85	13,875	31,000	2,900	....
July-Sept. 1979	....	37,200	118,900	105,900	232.66	124.75	14,095	31,000	800	....
Oct.-Dec. 1979	....	21,200	116,500	104,900	232.50	124.85	16,905	31,000	300	....
Jan.-Mar. 1980	....	23,500	128,900	114,300	229.20	124.85	16,587	33,000	5,600	....
Apr.-June 1980	....	20,900	104,900	92,400	229.56	124.90	12,456	28,000	2,800	....

See footnotes on page 40

Table 6.–Railroad employment, payrolls, and social insurance benefits, calendar years 1974-79

Calendar year or quarter	Employment (thousands)		Payrolls (billions)			Benefit payments (millions)	
	Average	Total	Total	Taxable		RRA[20]	RUIA
				RRA[19]	RUIA		
1974	592	739	$8.40	$7.27	$2.98	$2,836	$52
1975	548	678	8.35	7.11	2.76	3,308	137
1976	540	661	9.26	7.85	2.72	3,594	219
1977	546	655	10.04	8.49	2.75	3,842	174
1978	542	660	10.94	8.99	2.73	4,038	191
1979	554	666	12.47	10.90	2.80	4,378	143
Quarter–							
Apr.-June 1979	556	....	3.03	2.68	.70	1,068	30
July-Sept. 1979	566	....	3.28	2.82	.71	1,130	28
Oct.-Dec. 1979	556	....	3.25	2.80	.71	1,134	39
Jan.-Mar. 1980	532	....	3.11	2.91	.68	1,145	60
Apr.-June 1980	539	....	3.07	2.94	.68	1,179	46

See footnotes on page 40

Footnotes for Tables on Pages 34–39

[1] *Beginning with February 1975, includes advances for payment of social security benefits and, beginning February 1976, dual benefit transfers from U.S. Treasury.*

[2] *Includes U.S. Treasury appropriations for military service credits under the Railroad Retirement Act.*

[3] *Consists of transfers from the Social Security OASI Trust Fund beginning 1957-58 and from the DI Trust Fund beginning 1960-61.*

[4] *From June 1969 through June 1974, includes reimbursement to Railroad Unemployment Insurance Account under Sec. 10(h) of the Railroad Unemployment Insurance Act. Beginning with February 1975, includes payments of social security benefits.*

[5] *Excludes $41,127,000 appropriated directly for administration before 1949-50. Negative amounts reflect adjustment to prior-year expenditures.*

[6] *Consists of transfers to the Social Security OASI Trust Fund in 1953-54 through 1956-57, to the DI Trust Fund in 1958-59 and 1959-60, and to the HI Trust Fund beginning in 1966-67.*

[7] *July-September 1976 is transition quarter. Fiscal years 1976 and earlier began July 1 and ended June 30. Beginning October 1976, fiscal years begin October 1 and end September 30.*

[8] *Includes $1,395,000 in interest on amount repaid to Railroad Retirement Account.*

[9] *Age at end of period for those with annuities in current-payment status; age at accrual for awards.*

[10] *Average amounts of employee and spouse annuities awarded are estimates approximating the averages that will be payable after all recertifications are completed.*

[11] *Includes pensioners.*

[12] *Includes survivor (option) annuities and annuities to parents.*

[13] *Excludes benefits of the deferred type payable one year after the employee's death.*

[14] *Includes interest and, for the Railroad Unemployment Insurance Account, transfers from the Railroad Unemployment Insurance Administration Fund and from the Railroad Retirement Account.*

[15] *For Railroad Unemployment Insurance Account, data consist of net repayments of principal amounts due Railroad Retirement Account; for Railroad Unemployment Insurance Administration Fund, data consist of transfers of amounts over $6,000,000 on an accrual basis at end of year to Railroad Unemployment Insurance Account.*

[16] *Railroad Unemployment Insurance Administration Fund balance for each year includes adjustments for changes in expenditures made for earlier years.*

[17] *Borrowed amount repaid by end of period.*

[18] *Not adjusted for recoveries of overpayments or settlements of underpayments. Average per registration period is average for all 14-day periods; average per week is average for a full week of unemployment or sickness.*

[19] *Beginning in 1979, refers to tier I taxable payroll.*

[20] *Includes supplemental annuity payments.*

[21] *Preliminary.*

NOTE. Some figures in the tables are based on estimates which are revised periodically as more information becomes available.

[illegible] U.S. RAILROAD RETIREMENT BOARD

[illegible]

[illegible]

[illegible] Board

U.S. RAILROAD RETIREMENT BOARD

William P. Adams
Chairman

C. J. Chamberlain
Labor Member

Earl Oliver
Management Member

[illegible]
Secretary of the Board

Dr. James F. [illegible]
Chief Actuary

[illegible]

[illegible]
General Counsel

[illegible]
Acting Chief [illegible]

[illegible]
[illegible]

[illegible]
[illegible]

[illegible]
[illegible]

[illegible]
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THE RRB QUARTERLY REVIEW

JUNE 1981
[illegible] NUMBER 2

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A BRIEF REVIEW OF FISCAL YEAR 1980

Benefit payments for fiscal year 1980 (October 1, 1979 through September 30, 1980) under the Railroad Retirement Act and the Railroad Unemployment Insurance Act totaled $4.9 billion, an increase of $526 million over the 1979 fiscal year. As of the end of the 1980 fiscal year, 1,006,000 retirement and survivor beneficiaries were on the Board's annuity rolls and 178,600 railroad employees received unemployment-sickness benefits during the fiscal year.

For the tenth consecutive year, Railroad Retirement Account expenditures exceeded income, resulting in a continuing decline in the account's balance. Actuarial valuations of the railroad retirement system in 1976 and 1979 indicated long-term financing problems, as well as cash-flow problems in the 1980's. Recent cash-flow projections indicated that in the first half of 1983 the Railroad Retirement Account will not have sufficient funds to make all benefit payments due under the Railroad Retirement Act on a timely basis, unless corrective legislation is enacted in the meantime. Since the Railroad Unemployment Insurance Account is authorized to borrow needed funds from the Railroad Retirement Account, the potential insolvency of the Railroad Retirement Account could also result in an inability to make timely unemployment-sickness benefit payments.

On December 23, 1980, legislation was enacted (Public Law 96-582) which extended certain cost-of-living increases into 1981 and directed railroad management and labor to present joint recommendations to Congress for resolving the railroad retirement system's financing problems. As this issue of the *Review* went to press, it was reported that management and labor had come to an agreement on joint recommendations.

Benefits and Beneficiaries

Retirement and survivor benefit payments during fiscal year 1980 totaled $4,731 million, almost $456 million more than during the previous fiscal year. These payments were made to 1,084,000 beneficiaries. Employee and spouse annuitants constituted 731,000 of these beneficiaries and received $3,390 million, or 72 percent of the total payments made during the year. Employees were paid a total of $2,755 million, including $2,633 million in regular annuities and $122 million in supplemental annuities. Spouses were paid a total of $635 million. Survivor beneficiaries received a total of $1,341 million, consisting of $1,327 million in monthly benefits and $14 million in lump-sum payments.

Unemployment and sickness benefit payments totaled $212.2 million in fiscal year 1980, an increase of $70.3 million over the preceding year. Unemployment benefits totaling $148.5 million were paid to 118,000 beneficiaries, and sickness benefits of $63.7 million were paid to 76,000 beneficiaries. Unemployment benefit payments exceeded the prior year level by $67.4 million, as a national recession affected the railroad industry during most of the 1980 fiscal year. Sickness benefits increased by $2.9 million, primarily because of a decrease during the year in benefit recoveries arising from receipt of other social insurance or from personal injury settlements.

Financial Operations

Railroad Retirement Account

The balance in the Railroad Retirement Account at the end of the 1980 fiscal year

FINANCIAL STATEMENT
(Amounts in millions)

Railroad Retirement Account	Fiscal year 1980	Fiscal year 1979
Balance, October 1	$2,657.8	$2,772.8
Payroll taxes[1]	2,386.4	2,289.6
Advances for payments of social security benefits[2]	339.5	265.1
Interest on investments	351.4	186.8
Dual benefit transfer[3]	313.0	313.0
Transfers from OASDI Trust Funds under financial interchange	1,429.9	1,477.4
Receipts, total	4,820.2	4,531.9
Benefit payments	4,609.0	4,154.8
Payments of social security benefits	338.8	265.9
Administration	34.1	35.1
Transfer to HI Trust Fund under financial interchange	244.3	191.1
Expenditures, total	5,226.2	4,646.9
Balance, September 30	$2,251.8	$2,657.8
Railroad Retirement Supplemental Account		
Balance, October 1	$34.0	$32.1
Employer contributions	111.3	119.7
Interest on investments	4.2	2.9
Receipts, total	115.5	122.6
Benefit payments	121.6	120.1
Administration	0.8	0.6
Expenditures, total	122.4	120.7
Balance, September 30	$27.1	$34.0
Railroad Unemployment Insurance Account		
Balance, October 1	$55.8	-$ 0.1
Owed to Railroad Retirement Account[4]	....	31.3
Cash balance	55.8	31.2
Contributions[5]	161.4	193.7
Interest on investments	3.2	1.3
Transfers from administration fund	1.9	3.6
Receipts, total	166.5	198.6
Benefit payments	212.3	141.9
Interest paid to Railroad Retirement Account	....	0.8
Expenditures, total	212.3	142.7
Balance, September 30	$10.1	$55.8

---

[1] Includes hospital insurance (HI) taxes.

[2] Transfers from OASDI Trust Funds to cover social security benefits paid by U.S. Railroad Retirement Board under the Railroad Retirement Act of 1974.

[3] Transfer from U.S. Treasury under Sec. 15 (d) of the Railroad Retirement Act of 1974 to finance the payment of windfall benefits.

[4] The debt owed to the Railroad Retirement Account at the beginning of the 1979 fiscal year, along with small additional amounts borrowed during the year, was repaid by the end of that fiscal year.

[5] In addition, $12.8 million in fiscal year 1980 and $13.8 million in fiscal year 1979 were credited to the administration fund.

NOTE.—Amounts are on a cash basis and relate to transactions during the fiscal period. Certain figures shown here may differ from those published in Treasury reports because of differences in accounting methods.

was $2,252 million, which was $406 million less than the balance on September 30, 1979. A substantial increase in benefit payments, a relatively small increase in payroll tax income, and decreased financial interchange receipts all contributed to the lower balance in the account. Income to the Railroad Retirement Account during fiscal year 1980 totaled $4,820 million, which was $288 million more than the amount received in the previous fiscal year. Payroll taxes, continuing as the largest source of income, amounted to $2,386 million. Despite a decline in railroad employment during the year, payroll tax income increased by four percent over the previous year, due to higher monthly limits on taxable compensation.

A transfer of $1,430 million from the Social Security Old-Age, Survivors and Disability Insurance (OASDI) Trust Funds was credited to the account during the fiscal year as part of the annual financial interchange between the social security and railroad retirement systems, compared with $1,477 million during the previous fiscal year. Every fiscal year a determination is made of the amount which would place the OASDI Trust Funds in the same position they would have been had railroad service after 1936 been covered by the Social Security and Federal Insurance Contributions Acts. Estimates are made of the additional taxes that would have been received by the trust funds as well as the additional benefits and administrative expenses that would have been paid from them, with an allowance for interest. The 1980 fiscal year transfer reflected the net amount due the account for the 1979 fiscal year, plus interest to the date of transfer, June 2, 1980.

Earnings on investments increased by 88 percent over the previous year to $351 million. An additional transfer of $340 million was credited to the account from the OASDI Trust Funds for payments of social security benefits. Benefits awarded after 1974 to retired railroad employees and their families, while adjudicated by the Social Security Administration, are paid out of the Railroad Retirement Account with reimbursement from the OASDI Trust Funds.

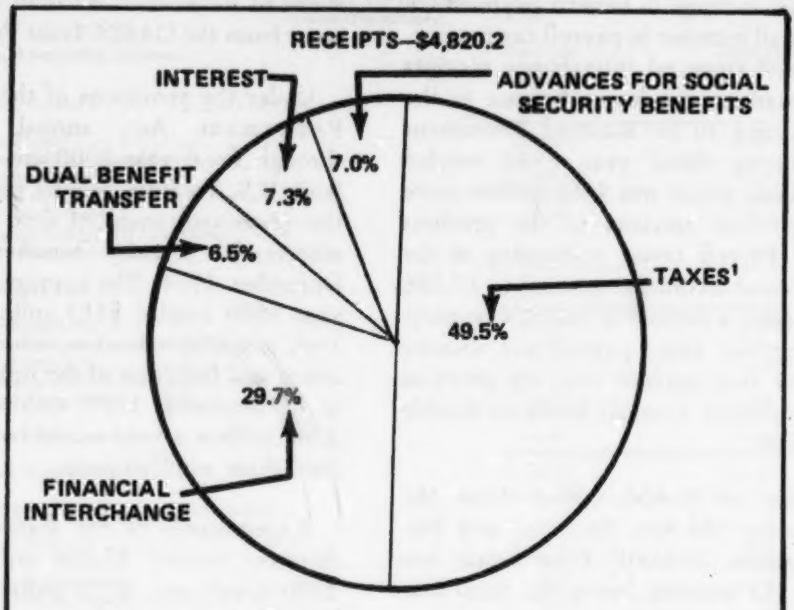
Under the provisions of the 1974 Railroad Retirement Act, annual appropriations through fiscal year 2000 are to be provided from U.S. Treasury general revenues to offset the phase-out costs of dual railroad retirement-social security benefits vested as of December 1974. The appropriation for fiscal year 1980 totaled $313 million. The Board's 14th actuarial valuation, which reviewed the assets and liabilities of the retirement account as of December 1977, estimated that about $500 million a year would be needed to fully fund these windfall costs.

Expenditures of the Railroad Retirement Account totaled $5,226 million during the 1980 fiscal year, $579 million more than in the previous year. Retirement and survivor annuity payments, accounting for 78 percent of the rise in expenditures, totaled $4,609 million during the fiscal year. A financial interchange transfer of $244 million was made to the Social Security Hospital Insurance (HI) Trust Fund. This transfer represented the payroll taxes for hospital insurance received by the account during fiscal year 1979, with allowances for administrative expenses and interest. Hospital insurance benefits do not affect the transfer, since they are paid directly from the HI Trust Fund. Other expenditures included payments of social security benefits of $339 million to railroad families and administrative expenses of $34 million.

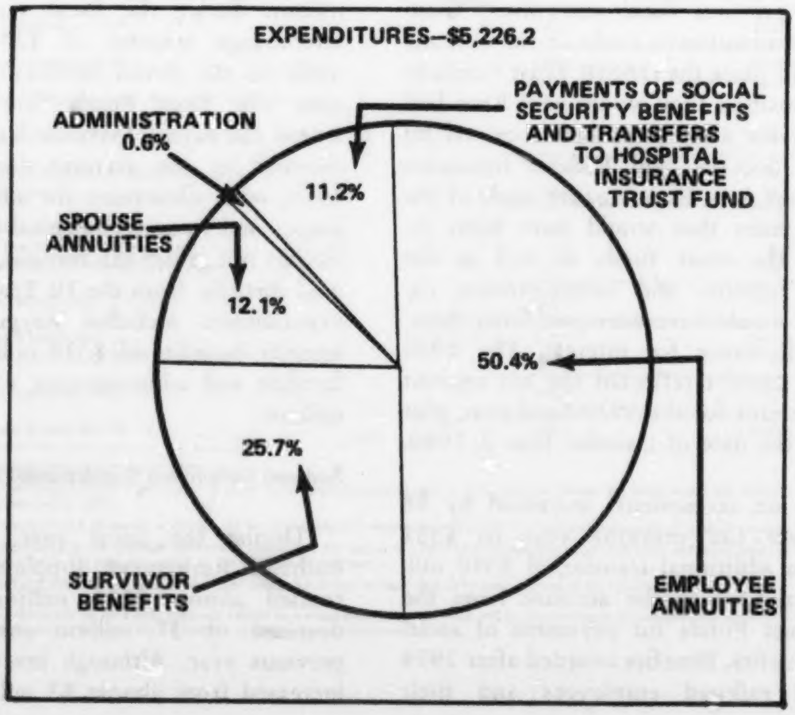
Railroad Retirement Supplemental Account

During the fiscal year, income to the Railroad Retirement Supplemental Account totaled almost $116 million, reflecting a decrease of $7 million compared to the previous year. Although investment interest increased from almost $3 million to over $4

CHART I—Transactions of the Railroad Retirement Account, 1979-80
(In millions)



[1] Includes hospital insurance taxes.



million during the fiscal year, tax receipts from employers decreased by over $8 million to $111 million. The decline in the level of employment, coupled with the continuation of the 12-1/2 cents per work-hour supplemental tax rate in calendar year 1980, led to the decrease in tax income. While tax income decreased, expenditures increased by nearly $2 million, causing the balance in the account to drop by $7 million to $27 million.

Under the 1974 Railroad Retirement Act, the supplemental tax rate continues to be based on a $70 maximum supplemental annuity (payable under the 1937 Act) rather than the present $43 maximum. Taxes not needed to pay supplemental annuities and administrative costs are applied to the Railroad Retirement Account. This helps finance the increase in regular annuity payments which resulted when the offset for receipt of a supplemental annuity was eliminated for annuities awarded under the 1974 Act.

Expenditures of the supplemental account totaled over $122 million. Benefit payments, the principal expenditure, amounted to nearly $122 million, or $1.5 million more than the prior year's payments. The number of supplemental annuities paid under the 1974 Act exceeded the number paid under the 1937 Act for the first time during fiscal year 1980. As of September 30, 1980, 53 percent of all supplemental annuities were being paid under the 1974 Act.

Investments of the Railroad Retirement Accounts

Most of the funds in the Railroad Retirement Accounts are invested in special issue U.S. Treasury securities. A major change in the policies governing their issuance was made early in fiscal year 1980. Previously, the issues were par value specials, with interest based on the yield on Federal Government notes available on the open market and maturing in three or more years. Under an agreement with the U.S. Treasury dated November 8, 1979, the Board can now purchase either par value or market based special issues. A market based special may be any marketable Treasury bill, note or bond except that notes and bonds within six months of maturity are not currently available to the Board. The price is the same as the market price, but purchases and sales are made directly with the Treasury so that they do not affect the securities market. A small portion of the railroad retirement funds are still invested in public issues, with a yield at least equal to the rate for par value specials at the time of purchase.

On November 9, 1979, most of the par value specials in the accounts were converted to market based bills to take advantage of high short-term interest rates then available. As a result, the average yield on investments rose from 8.9 percent at the end of September to 11.8 percent on December 31, 1979. Later in the fiscal year, the market returned to the more usual condition of longer term rates exceeding short-term rates, so it generally became more advantageous to invest in par value specials. By the end of the fiscal year, the bulk of the investments consisted of par value specials, and the overall investment yield was 11.6 percent.

Investments of the Railroad Retirement Account and Railroad Retirement Supplemental Account, September 30, 1980

Type	Face amount (millions)	Purchase price (millions)	Average yield[1] (percent)
Market based notes	$ 100.0	$ 104.5	14.363
Market based bills	260.0	232.1	12.456
Par value specials	2,142.4	2,142.4	11.625
Special issues, total	2,502.4	2,479.0	11.818
Bonds	138.8	145.3	7.936
Notes	37.8	38.6	9.556
Public issues, total	176.6	183.9	8.276
Total	2,679.0	2,662.9	11.574

[1] For public bonds, applies to investments held to maturity.

NOTE.—Total face amount exceeds the balances in the accounts as those balances reflect reductions for obligations unpaid as of September 30.

After the close of the 1980 fiscal year, there was again a sharp rise in short-term interest rates. The availability of market based issues made it possible for the Board to invest again in these issues and obtain additional income.

Railroad Unemployment Insurance Account

Employer contributions under the Railroad Unemployment Insurance Act totaled $174.2 million in fiscal year 1980, nearly $33.3 million less than in the preceding year. The reduction in income primarily reflected a decrease in the contribution rate from 7 percent in calendar year 1979 to 5.5 percent in 1980. An additional factor in the lower level of tax receipts was a slight decline in average railroad employment between fiscal years.

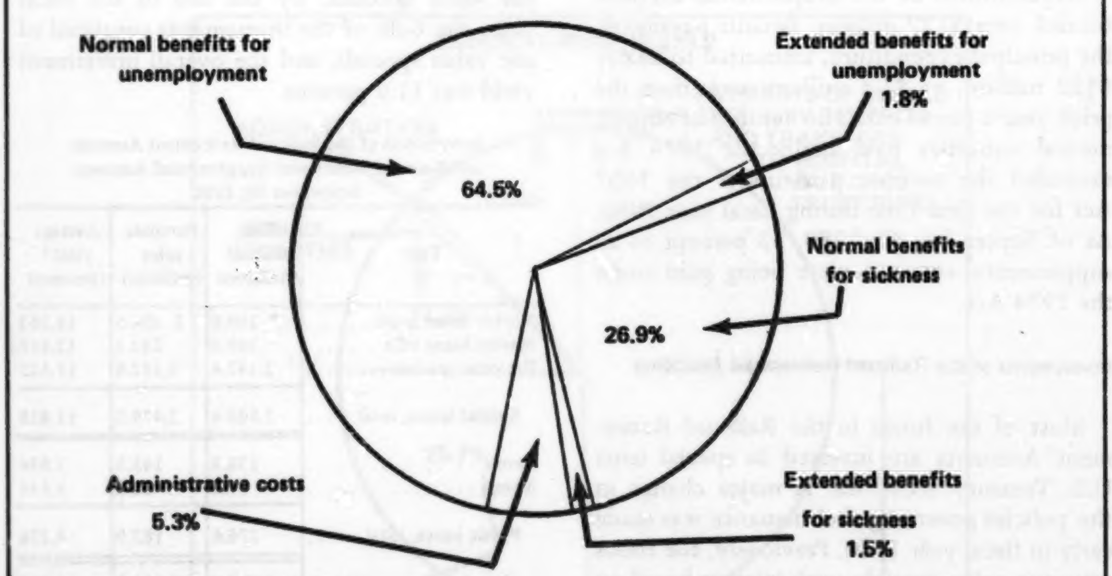
In accordance with the law, 0.50 percent of taxable compensation ($12.8 million) was allocated to the administration fund. The remaining $161.4 million went into the Railroad Unemployment Insurance Account.

Benefit payments in fiscal year 1980 exceeded total income to the account by some $45.7 million. However, no loans were required to meet payment obligations because of sufficient funds being on hand. The cash balance at the end of the 1980 fiscal year was $10.1 million.

CHART 2

Application of RUIA funds, 1979-80 fiscal year

Total — $224.0 million



Income during the year totaled $166.5 million, consisting of $161.4 million in employer contributions, $3.2 million in investment income, and a transfer of $1.9 million from the administration fund. Disbursements, consisting entirely of benefit payments, totaled $212.3 million.

Railroad Unemployment Insurance Administration Fund

Some $19.6 million was available for the administration of the Railroad Unemployment Insurance Act in fiscal year 1980. This total included the $12.8 million allocation of employer contributions, $0.6 million in investment income, and $6.2 million cash on hand at the beginning of the year. Administrative expenses in fiscal year 1980 totaled $11.8 million.

Employer Contribution Rate

The employer contribution rate for a calendar year is based on a graduated schedule, ranging from an eight percent maximum to a 0.5 percent minimum, depending on the accrual basis balance in the account (including administration fund) on the preceding September 30. The applicable figure for September 30, 1980, was $45.1 million, resulting in an employer contribution rate of eight percent during 1981. The actual cash balance on the above date was approximately one-third of the accrual amount, the difference largely reflecting the normal one-quarter lag in tax collections.

Operations Under the Regional Rail Reorganization Act of 1973

The Board, under authority of Section 509 of the Regional Rail Reorganization Act of 1973, has reimbursed during the past several years employers to whom certain railroad properties were conveyed through the legislation for protective payments made to protected employees. These properties became primarily the Consolidated Rail Corporation (Conrail). Funding for the operation was limited, by law, to $250 million allocated from general revenue appropriations in accordance with periodic determinations made by the Office of Management and Budget.

Expenditures by the Board from the Regional Rail Transportation Protective Account prior to the 1980 fiscal year totaled $222.5 million. The remaining $27.5 million, which had previously been appropriated, was disbursed in the first several months of the 1980 fiscal year, forcing the Board to discontinue payment operations during February.

Total reimbursements to employers through the 1980 fiscal year were $237.7 million. An additional aggregate amount of $12.1 million was transferred to the Railroad Unemployment Insurance Account to compensate for unemployment benefits which had previously been paid to protected employees for the same time period. Recovery of these amounts is mandatory, except to the extent that the unemployment benefits exceed the protective payments on a daily basis. Remaining transfers of funds for administrative services rendered by the Board have been nominal throughout, totaling approximately 0.1 percent of the original fund.

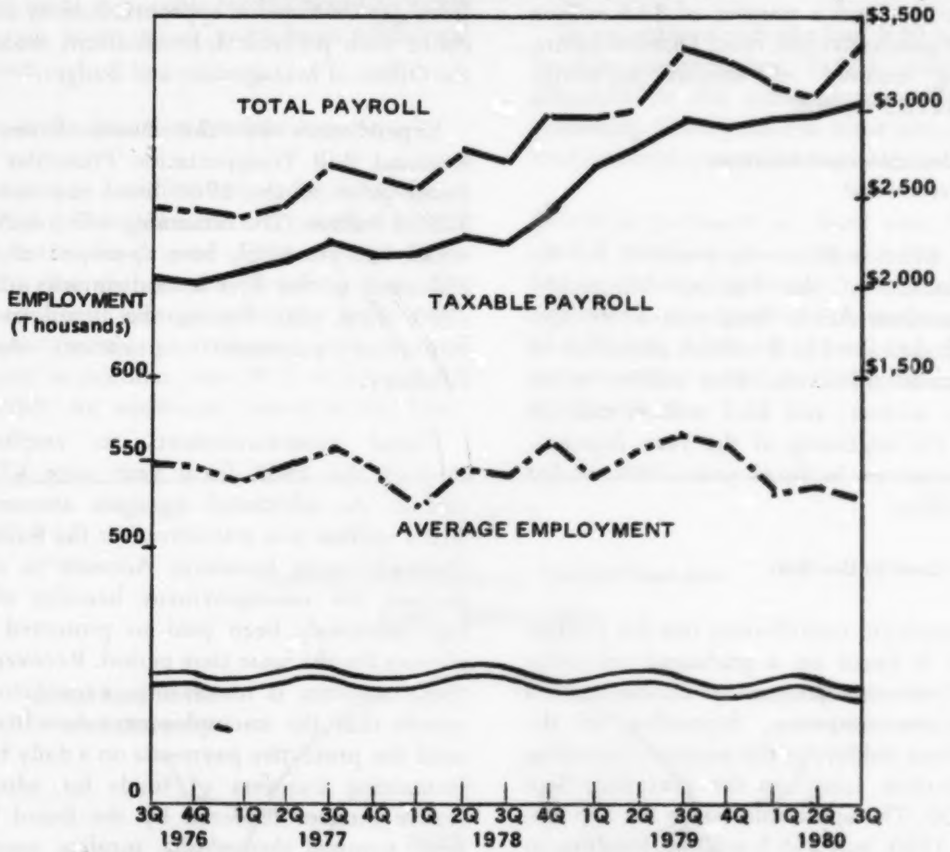
Shortly after the close of the 1980 fiscal year, enactment of Public Law 96-448, the Staggers Rail Act of 1980, resulted in amendments to the Regional Rail Reorganization Act of 1973 increasing the overall funding limit for employee protection reimbursement operations to $485 million from the original $250 million amount. Consequently, this phase of Board operations again became active early in fiscal year 1981.

Railroad Employment and Payrolls

The nationwide recession during a major part of fiscal year 1980 had a significant

CHART 3

Railroad employment and payrolls (by calendar quarter), July-September 1976 through July-September 1980



[1] Preliminary.

NOTE.—Taxable payroll is railroad retirement; beginning in 1979, refers to tier 1 only.

effect on railroad activity. Average employment dropped 16,000 from the 555,000 level of the preceding fiscal year to 539,000. In every month except October 1979, average employment was less than in the corresponding month of the previous year. Both railroad employment and freight traffic, in contrast to the usual seasonal pattern, reached their fiscal year lows during the July-September 1980 quarter, declining seven percent and five percent, respectively, from the same quarter a year earlier. On the other hand, revenue freight ton miles for the entire fiscal year increased two percent over fiscal year 1979.

Scheduled contract wage increases more than offset the negative impact on total railroad payrolls of the substantial decline in average employment. The 1980 fiscal year total payroll of $12.8 billion was six percent higher than the year-earlier figure. Total earnings per railroad job (total payroll divided by average employment) rose from $21,800 in the preceding year to $23,700, an increase of nine percent.

Higher wages, in conjunction with an increase in the taxable earnings bases, were responsible for increases in Railroad Retirement Act tier I and tier II taxable payrolls in fiscal year 1980. Tier I and tier II taxable payrolls each rose 10 percent over the previous fiscal year to $11.7 billion and $10.5 billion, respectively. The tier I tax base was $1,908.33 per month during the first three months of fiscal year 1980, and $2,158.33 per month for the remaining nine months of the year. The corresponding tier II monthly tax bases in the fiscal year were $1,575 and $1,700, respectively. Employers and employees each pay tier I taxes at the current social security tax rate, but the 9.5 percent tier II rate is paid by employers only.

Taxable payroll under the Railroad Unemployment Insurance Act fell two percent to $2.7 billion in the 1980 fiscal year. As almost all employees exceeded the $400 taxable earnings base in each month worked, changes in taxable payroll closely paralleled the downward movement in employment.

RETIREMENT AND SURVIVOR BENEFIT OPERATIONS

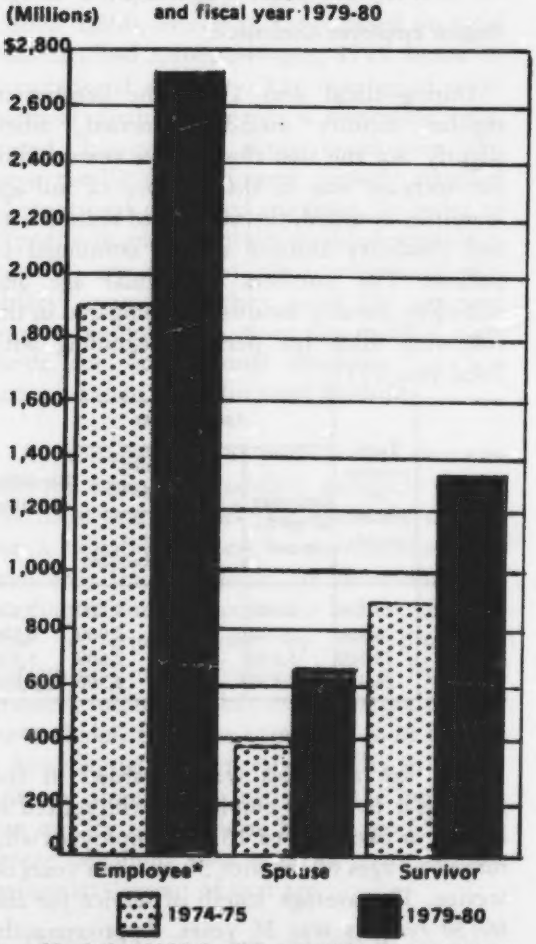
Retirement and survivor benefit payments totaled $4,731 million in fiscal year 1980, representing an increase of $456 million over the prior fiscal year. An estimated $230 million of this rise was attributable to the June 1979 cost-of-living increases, while an additional $125 million was due to the June 1980 increases. Cost-of-living increases of 9.9 percent in 1979 and 14.3 percent in 1980 were applied to the tier I component of employee and spouse annuities and to both tier I and tier II of survivor annuities. The tier I component is determined according to social security formulas and is automatically increased by the same cost-of-living percentage applicable to social security benefits. Cost-of-living increases were also applied to certain portions of the tier II component of employee and spouse annuities. Under the Railroad Retirement Act, the tier II increase is determined to be equal to 32.5 percent of the rise in the unadjusted Consumer Price Index between the first calendar quarter of one year and the corresponding period a year earlier. The employee and spouse tier II increases were 3.2 percent in 1979 and 4.6 percent in 1980.

Type of benefit	Benefit payments (millions)		Percent change
	1979-80	1978-79	
Employee annuities:			
Regular	$2,633.3	$2,372.3	11.0
Supplemental	121.6	120.1	1.2
Spouse annuities	634.9	572.1	11.0
Retirement benefits, total	3,389.8	3,064.5	10.6
Survivor annuities	1,327.2	1,194.9	11.1
Aged widow(er)s'	1,163.8	1,044.3	11.4
Disabled widow(er)s'	23.8	20.6	15.2
Widowed mothers' and fathers'	24.2	23.2	4.1
Children's	114.4	105.7	8.2
Other survivors'	1.0	1.0	.5
Lump-sum benefits	13.6	15.5	-12.6
Survivor benefits, total	1,340.8	1,210.4	10.8
Total	4,730.6	4,274.9	10.7

At the end of the 1980 fiscal year, 1,203,000 monthly benefits were being paid, approximately 2,000 fewer than one year earlier. The number of monthly beneficiaries declined by almost 8,000 during the year to 1,006,000 as of September 30, 1980. The number of benefits is larger than the number of beneficiaries because some retired employees receive more than one type of benefit. The second benefit is usually a supplemental employee annuity, but in some cases it is a spouse or widow(er)'s annuity.

CHART 1

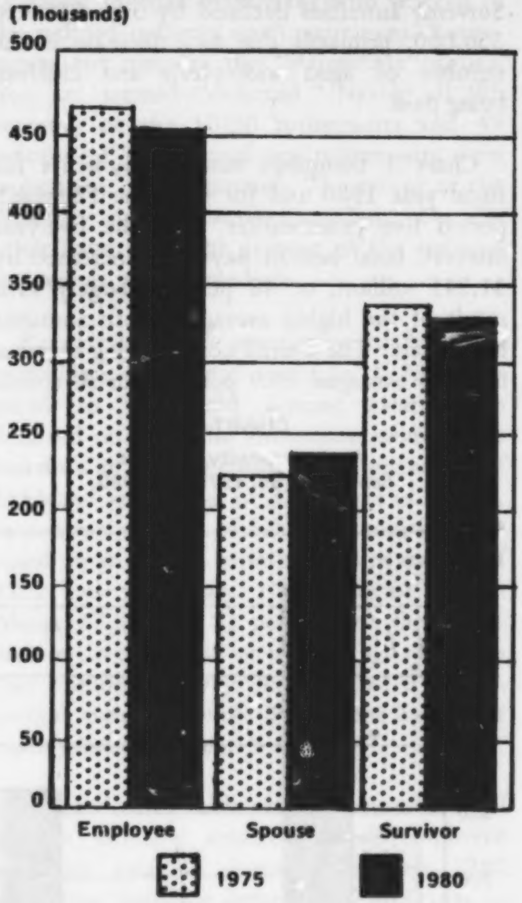
Amount of benefit payments October 1974—September 1975 and fiscal year 1979-80



***Includes $104.5 million in 1974-75 and $121.6 million in 1979-80 for supplemental annuities.**

CHART 2

Number of monthly beneficiaries September 30, 1975 and 1980

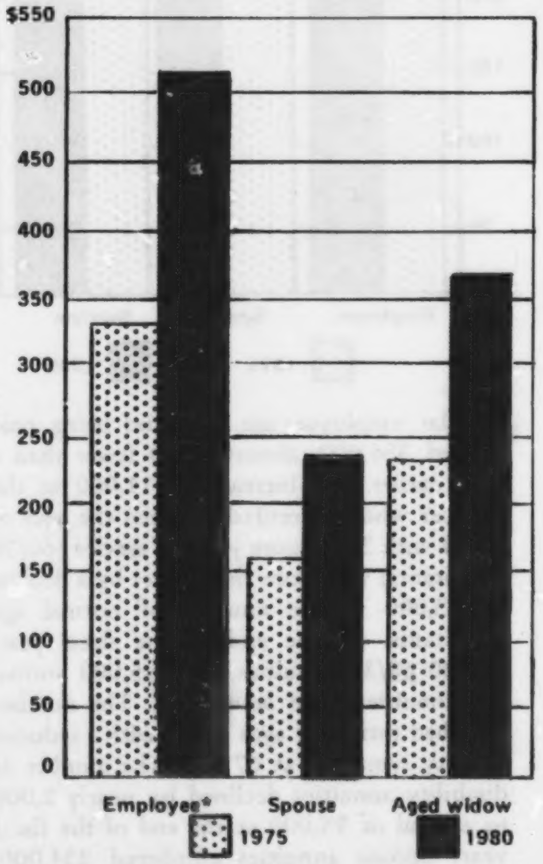


Regular employee age annuities being paid totaled 356,000, almost 3,000 fewer than a year earlier. An increase of 11,000 in the number who had retired between the ages of 60-64 with 30 or more years of service (60/30 annuitants) was more than offset by a decline of 13,000 in the number of normal age annuitants. At the end of the fiscal year, 94,000 60/30 annuities and 195,000 normal age annuities were being paid. The number who had retired at ages 62-64 with a reduced annuity remained at 67,000. The number of disability annuities declined by nearly 2,000 to a total of 95,000 at the end of the fiscal year. Spouse annuities numbered 234,000, nearly the same as a year earlier. Supplemental annuities being paid increased by over 5,000 to 188,000 by the end of the year. Survivor annuities declined by over 3,000 to 330,000, primarily due to a decrease in the number of aged widow(er)s and children being paid.

Chart 1 compares benefit payments for fiscal year 1980 and for the same 12-month period five years earlier. Over the five-year interval, total benefit payments increased by $1,541 million, or 48 percent, largely as a result of the higher average benefit amounts being paid. The overall cost-of-living increase in 1980 averaged 10.9 percent for all annuities, contributing to a 36 percent cumulative cost-of-living increase during the five-year period. Awards during the five years were generally based on longer service and higher compensation than those which were terminated. Charts 2 and 3 present the changes over the five-year interval in the number of beneficiaries on the rolls and the average amounts being paid. Despite an overall decline in the number of beneficiaries during the five-year period, the dramatic increases in average annuity amounts paid over the same period resulted in increased benefit payments.

CHART 3

Average annuity amounts
September 30, 1975 and 1980



*Without supplemental annuity.

Retirement

Regular Employee Annuities

During fiscal year 1980, the number of regular annuity awards increased, albeit slightly, for the first time in five years. All of the increase was in the number of full age annuities awarded; the number of reduced age and disability annuity awards continued to decline. The numbers of regular age and disability annuity awards are compared in the following table for periods beginning with fiscal year 1977:

Fiscal year	Total number of regular awards	Age annuities			Disability annuities
		Beginning at age 65 or over	Beginning before age 65		
			Full	Reduced	
1977....	29,300	6,400	12,600	3,200	7,100
1978....	26,900	5,700	12,000	2,900	6,300
1979....	25,500	5,100	12,000	2,600	5,800
1980....	26,400	5,400	13,100	2,300	5,600

Full age annuities were awarded in the fiscal year to 5,400 employees who retired at age 65 or over and to 13,100 employees who retired at ages 60-64 with 30 or more years of service. The average length of service for the 60/30 retirees was 36 years. Approximately 2,300 reduced age annuities were awarded to employees ages 62-64 with less than 30 years of service. Reduced age retirees, whose annuities are reduced by 1/180 for each full month they are under age 65 when their annuities begin, had an average of 17 years of railroad service. Award averages varied considerably depending on the basis of retirement. Reduced age retirees were awarded an average annuity of $298, while normal age and 60/30 retirees were awarded annuities averaging $476 and $816, respectively.

Disability annuity awards numbered 5,600 during the fiscal year and averaged $598. Employees may be granted a disability annuity based either on total disability precluding all employment or on disability only in their regular occupation. Awards for the year included 1,800, averaging $343, based on total disability and 3,800, averaging $719, based on occupational disability. The number of occupational disability awards is somewhat overstated, however, as many employees who were totally disabled were initially awarded occupational disability annuities. In order to expedite payment, totally disabled employees initially are awarded an occupational disability annuity if they meet the age and service requirements, since the medical standards for occupational disability are less stringent than those for total disability.

Approximately 75 percent of the employees awarded disability annuities during the fiscal year will meet the medical standards for a "disability freeze" determination. The standards for the freeze are determined according to social security law and are comparable to criteria used by the Board in determining total disability. If a freeze is granted, months within the freeze period may be excluded from the computation of the tier I benefit, which generally results in higher annuity amounts. In addition, the employee can qualify for Medicare before age 65 if the freeze beginning date is 30 or more months before attainment of that age.

About 74 percent (19,600) of all retirees in the year had an annuity beginning date in the year they last worked for a railroad or in the year immediately following. These "immediate" retirements are generally characteristic of career railroad employees who worked in the railroad industry until retirement. Retirements not meeting the "immediate" definition are termed "deferred." Nearly all (95 percent) of the 60/30 retirements and 49 percent of the normal age retirements were immediate. Approximately 71 percent of the disability awards were immediate. On the other hand, only 20 percent of the reduced age awards were immediate.

Regular employee annuity awards based on immediate retirement averaged $785, compared to the $284 average awarded to deferred retirees. The immediate awards were based on an average monthly compensation of $551 and an average of 33.3 years of service. In contrast, awards of deferred annuities were based on an average monthly compensation of $222 and an average 17.8 years of service. About 17,800, or 91 percent, of the immediate retirees had 25 or more years of service (the minimum service required for a supplemental annuity), while 80 percent had 30 or more years of service.

The following table compares numbers and average monthly amounts of all employee annuities awarded during fiscal year 1980 with those based on immediate retirement:

Type of employee annuity	All awards		Awards based on immediate retirement		
	Number	Average amount	Number	Percent of total	Average amount
Age 65 or over	5,400	$476	2,700	49	$760
Ages 60-64:					
Full	13,100	816	12,400	95	822
Reduced	2,300	298	500	20	571
Age, total	20,800	671	15,600	75	804
Disability	5,600	598	4,000	71	709
Total	26,400	655	19,600	74	785

NOTE.—Average amounts of awards reflect amounts payable at the time of the award. They do not include subsequent recomputations. In particular, awards made before June 1, 1980, do not reflect the cost-of-living increase effective on that date.

The average retirement age for the year's awards ranged from 56 years for disability retirements to 66 years for normal age retirements. The average age for all age awards during the year was 63, while the average age for all age and disability awards combined was 61.

Regular employee annuities being paid at the end of the fiscal year numbered 451,000, down 4,000 from one year earlier, as terminations exceeded awards. Full age annuities included 195,000, averaging $466, to employees who retired at age 65 or older and 94,000, averaging $802, to those who retired under the 60/30 provision. About 67,000 reduced age annuities, averaging $315, and 95,000 disability annuities, averaging $477, were being paid at the end of the fiscal year.

Dual-benefit status as of September 30, 1980	Total	Type of retirement	
		Immediate	Deferred
Receiving social security benefit:			
Number	184,300	101,900	82,500
Average monthly amount:			
Railroad retirement (regular)	$332	$453	$183
Social security	254	196	326
Combined benefit	586	649	509
Not receiving social security benefit:			
Number	266,900	242,000	24,800
Average monthly amount	$643	$664	$429

Nearly 344,000 annuitants, reflecting 76 percent of the retired employees on the rolls at the end of the fiscal year, were immediate retirees receiving an average annuity of $602. The remaining 107,000 employee annuitants on the rolls were deferred retirees being paid an average annuity of $240. Since deferred retirees generally work fewer years in the railroad industry than immediate retirees, they are more likely to be insured under social security and often receive much higher social security benefit amounts. Nearly 77 percent of the deferred retirees were receiving social security benefits, averaging $326, at the end of the fiscal year, while only 30 percent of the immediate retirees were being paid social security benefits, averaging $196. The table on this page presents statistics for annuitants who were receiving social security benefits and for those who were not, by type of retirement.

Railroad retirement annuities consist of several components. The employee tier I component represents essentially a social security benefit based on the employee's combined railroad service and social security covered earnings. This amount is then reduced by the amount of any social security benefit payable to the employee. The average gross tier I amount before any offset was $444 at the end of fiscal year 1980, almost 17 percent higher than the gross tier I average at the end of the previous fiscal year. The tier I amounts of over 20,000 retired employees were totally offset, while the remaining 431,000 annuitants received an average net tier I benefit of $357.

The tier II component of an employee annuity is based on railroad service only and may consist of as many as three parts. The past service annuity, based on service before 1975 and calculated according to the 1937 Act formula, averaged $125 at the end of the fiscal year. The second part, known as the past service bonus, is also based on pre-1975 service and is payable only to employees with some railroad service after 1974. The future service annuity part is based on railroad service and compensation after 1974 only and is being paid to an increasing proportion of retired employees. As of September 30, 1980, the past service bonus and the future service annuity averaged $35 and $27, respectively. The sum of the three tier II parts does not equal the average net tier II amount of $141, as only 112,000 annuitants were eligible to receive the past service bonus and future service annuity.

The third annuity component, the dual benefit windfall, is payable to those who had vested rights to both railroad retirement and social security benefits at the end of 1974 or, in some cases, as of the last year of pre-1975 railroad service. It is intended to preserve equities established prior to the dual benefit phase-out provided by the Railroad Retirement Act of 1974 effective January 1975. A total of 183,000 employees were receiving an average windfall of $111 as of September 30, 1980.

Supplemental Employee Annuities

Supplemental annuity awards during the 1980 fiscal year totaled 14,100, down 600 from the number awarded during the prior fiscal year. Some 10,900 of the supplemental annuity awards were made concurrently with the award of the employee's regular annuity. The remaining awards were to employees already on the retirement rolls at the time of their entitlement to a supplemental annuity. Supplemental annuities awarded during the fiscal year averaged $41; over 87 percent (12,300) were awarded at the maximum rate of $43.

Supplemental annuities are reduced for any part of a private pension attributable to employer contributions. Almost 2,200 supplemental annuities were not paid during the fiscal year because they were entirely offset by private pensions. Another 300 supplemental annuity awards were partially offset, including some in which a reduction was also made in the private pension. In a small number of cases, the reduction was made entirely in the private pension and the supplemental annuity was paid in full.

Over 188,000 supplemental annuities were being paid at the end of the fiscal year. Supplemental annuities paid under the 1974 Act exceeded the number paid under the 1937 Act for the first time during fiscal year 1980. Of the supplemental annuities being paid, 99,000, averaging $42, had been awarded under the 1974 Act and 89,000, averaging $66, had been awarded under the 1937 Act. Under the 1937 Act, supplemental annuities were equal to $45 plus $5 for each year of service in excess of 25 years, up to a maximum of $70. Entitlement to a supplemental annuity under the 1937 Act resulted in a reduction in the employee's regular annuity. Under the 1974 Act, the supplemental annuity is equal to $23 plus an additional $4 for each year of service over 25 years, up to a maximum of $43. Although the scale of payments declined under the 1974 Act, the reduction in the regular annuity was eliminated and net supplemental income remained about the same as under the 1937 Act.

The average age of employees receiving a supplemental annuity at the end of the 1980 fiscal year was 71 years–66 years for 1974 Act annuitants and 76 years for 1937 Act annuitants. Supplemental annuities were paid to 52 percent of retirees ages 60-64, 56 percent of those ages 65-69, 52 percent of those ages 70-74, and 29 percent of those ages 75 and older. Approximately 42 percent of all railroad employee annuitants were being paid a supplemental annuity as of September 30, 1980.

Spouse Annuities

Annuity awards to spouses of retired employees totaled 22,300 in fiscal year 1980, nearly the same as in the previous year. Full-rate awards included 4,100 averaging $173 to spouses age 65 or over, 1,200 averaging $301 to wives with minor or disabled children in their care, and 12,400 averaging $321 to spouses ages 60-64 of retired employees with at least 30 years of railroad service. In addition, reduced rate annuities, averaging $163, were awarded to 4,600 spouses ages 62-64 who were not eligible for a full annuity. In these cases, spouse annuities are reduced by 1/180 for each month they are under age 65 when their annuities begin, as is the case with employee annuities.

Over 6,300 of the spouse annuities awarded during the year began concurrently with the employee annuity upon which they were based. Concurrent awards are generally higher than subsequent awards, since they are not as likely to be reduced for early retirement or for receipt of a social security benefit. In most cases, concurrent awards are based on higher employee annuity award averages. Concurrent awards averaged $279 and subsequent awards, $252. The table below compares numbers and average amounts of concurrent and subsequent awards, by type of annuity:

Type of spouse annuity	All awards		Concurrent awards		Subsequent awards	
	Number	Average amount	Number	Average amount	Number	Average amount
Full rate:						
Beginning at age 65 or over	4,100	$173	1,500	$212	2,700	$151
Beginning at ages 60-64 . . .	12,400	321	3,700	316	8,700	323
With child in care	1,200	301	700	314	500	283
Reduced rate . .	4,600	163	400	138	4,100	166
Total	22,300	260	6,300	279	16,000	252

NOTE.—Average amounts of awards reflect amounts payable at the time of the award. They do not include subsequent recomputations. In particular, awards made before June 1, 1980, do not reflect the cost-of-living increase effective on that date.

About 234,000 spouse annuities, averaging $236, were being paid at the end of the fiscal year, including 126,000 full annuities, averaging $287, and 108,000 reduced annuities, averaging $177. Full annuities included 65,000 averaging $201 that had been awarded at ages 65 or older, 56,000 averaging $384 awarded to spouses ages 60-64 of employees with 30 years of service, and 4,000 averaging $332 to wives with minor or disabled children in their care.

As is the case with regular employee annuities, spouse annuities consist of up to three components: tier I, tier II, and the dual benefit windfall. The spouse tier I component is equal to one-half of the employee's gross tier I amount prior to any reduction for the employee's social security benefit. This amount is then reduced by any social security benefit the spouse receives. The spouse tier I component may also be reduced by the tier I amount of any employee annuity paid the spouse, but this reduction is essentially restored by increasing the spouse tier II component. The spouse tier II component is equal to one-half of the employee's tier II component, less a reduction for receipt of a windfall based on the spouse's own earnings. (Employee tier II amounts are similarly reduced for windfall entitlement.) Spouses may become entitled to a windfall based on either their own or the railroad employee's wage record. Spouses not entitled to a windfall on their own earnings may still receive a windfall equal to one-half of any windfall payable to the employee.

Spouse annuities are subject to a maximum equal to 110 percent of the highest spouse benefit payable under social security. The maximum is recomputed twice a year (once in January and again in June) to reflect cost-of-living increases and any changes in the taxable wage ceiling. Whenever the sum of the spouse's tier I and tier II amounts (windfall excluded) exceeds the maximum, a reduction is made in the tier II amount. Because of dramatic increases in the cost of living and taxable wage ceilings, there has been a significant decline in the number of spouses being paid the maximum. Although 4,000 spouses were being paid the spouse maximum of $413.93 at the end of fiscal year 1979, only 100 spouses were receiving the $510.95 maximum at the end of fiscal year 1980.

In addition to the spouse maximum, there is also a family maximum, which is a monthly ceiling on total family benefits, intended to be approximately geared to the employee's final pay. Any necessary reduction is first made in the spouse annuity, although the employee's regular and supplemental annuities may also be reduced. The family maximum was $1,435 at the end of the 1980 fiscal year, and approximately 3,500 spouse annuities were reduced as a result of the maximum.

Of the 234,000 spouses on the rolls at the end of the fiscal year, about 174,000 received net tier I amounts averaging $155. The gross tier I amounts of the remaining spouse annuitants were completely offset for receipt of either a social security benefit or railroad employee annuity. The average tier I reduction was $172. Tier II amounts being paid averaged $76. In 5,000 cases, there was a restoration in the tier II amount of a tier I offset for receipt of an employee annuity. About 153,000 spouses were being paid windfall benefits, averaging $94.

Approximately 63 percent (148,000) of all spouse annuitants on the rolls received social security benefits, averaging $211. Nearly 74 percent of the spouses receiving social security benefits were entitled to primary benefits based on their own earnings, while 26 percent were paid auxiliary benefits, usually based on the railroad employee's wage record. Primary and auxiliary social security benefits to spouses averaged $242 and $121, respectively, at the end of the fiscal year. Spouses being paid social security benefits received an average railroad annuity of $178 as of September 30, 1980. Spouses not receiving social security benefits were being paid an average railroad annuity of $336.

Retired families, in which both the employee and spouse were on the rolls, were receiving combined monthly benefits, averaging $781, at the end of fiscal year 1980. In about 118,000 of these families, the employee was being paid a supplemental annuity. The combined family benefit for these cases was $1,021, reflecting the higher benefit averages paid to those with at least 25 years of railroad service.

Survivor

Monthly Benefits

Annuity awards to survivors of deceased employees numbered 20,700 in fiscal year 1980. Awards to widow(er)s included 16,800 to aged widow(er)s, 600 to disabled widow(er)s, and 800 to widowed mothers (fathers). Children's awards included 1,600 to minor children (under age 18), 600 to full-time students ages 18-21, and 300 to disabled children ages 18 and older who became permanently disabled before age 22.

Over 330,000 survivor annuities were being paid at the end of the fiscal year, including over 2,000 to widow(er)s temporarily being paid a spouse annuity pending conversion to a survivor annuity. Aged widow(er)s numbered 290,000, accounting for 88 percent of all survivor annuitants on the rolls at the end of fiscal year 1980. Other survivor annuitants on the rolls included 7,000 disabled widow(er)s, 5,000 widowed mothers (fathers), and over 27,000 children. About 200 parents' annuities and 300 survivor option annuities were also being paid. A parent at age 60, dependent for at least one-half of his or her support on a railroad employee, may be paid a survivor annuity if the employee leaves no other survivors who can qualify for an annuity. Survivor option annuities are paid to the surviving spouse of an employee who made an election before August 1946 to receive a reduced retirement annuity in order to provide an annuity for the spouse after the employee's death. The table on the next page shows numbers and average amounts of survivor annuities, by type of annuity, for annuities awarded during the fiscal year and for those being paid at the end of the year.

Survivor annuities, like regular employee and spouse annuities, consist of up to three

Type of survivor annuity	Awarded in fiscal year 1980		In current-payment status on Sept. 30, 1980	
	Number	Average amount	Number	Average amount
Aged widow(er)s'	16,800	$392	290,200	$361
Disabled widow(er)s'	600	296	7,000	302
Widowed mothers' (fathers')	800	384	5,000	392
Children's:				
Under age 18	1,600	343	11,200	373
Student	600	383	5,600	396
Disabled	300	327	10,500	298
Parents'	(1)	295	200	310
Survivor option	(1)	281	300	98
Total	20,700	....	330,000	....

[1] Fewer than 50.

NOTE.—Average amounts of awards reflect amounts payable at the time of the award. They do not include subsequent recomputations. In particular, awards made before June 1, 1980, do not reflect the cost-of-living increase effective on that date.

components. The survivor tier I component is computed according to social security formulas and is based on the deceased employee's combined railroad and social security earnings. This amount is subject to reduction for receipt of a social security benefit, railroad retirement annuity, government pension, or for early retirement. The tier II component of a survivor annuity is equal to 30 percent of the survivor tier I amount, prior to reduction for the survivor's own railroad retirement or social security benefits, but after any other reductions. A dual benefit windfall may be payable to widows or certain widowers who were fully insured under social security law based on their own earnings as of December 31, 1974, provided the deceased employee had at least 10 years of railroad service prior to 1975.

If aged widow(er)s elect to receive benefits between the ages of 60 and 64, both the tier I and tier II components are reduced by 19/40 of one percent for each month they are under age 65 when the annuity begins, with a maximum reduction of 36 months, or about 17 percent. The 94,000 aged widow(er)s receiving reduced annuities were being paid an average monthly amount of $345 at the end of the fiscal year, while the annuities of aged widow(er)s receiving full rates averaged $368. The average net tier I amount paid to aged widow(er)s as of September 30, 1980, was $268, but in 24,000 cases the tier I amount was wholly offset by reductions. The average tier I offset due to social security entitlement was $225. Tier II benefits paid to aged widow(er)s averaged $107. A total of 135,000 aged widow(er)s were receiving social security benefits, averaging $237. In addition, approximately 58,000 aged widow(er)s were being paid windfall benefits, averaging $45.

The tier I and tier II components of disabled widow(er)s ages 50-59 are reduced by 28-1/2 percent, plus 43/240 of one percent of the full annuity amount for each month they are under age 60 when their annuities begin. At age 50, this is equal to a 50 percent reduction. Disabled widow(er)s on the rolls at the end of the fiscal year were paid tier I amounts averaging $230 and tier II amounts averaging $82. Nearly 2,100 disabled widow(er)s received social security benefits, averaging $245. The average tier I reduction for these benefits was $219. Windfall benefits, averaging $66, were being paid to nearly 1,700 disabled widow(er)s.

Widowed mothers (fathers)s under age 60, whose eligibility is based on having a minor or disabled child in their care, are paid a tier I benefit similar to a social security benefit. This survivor tier I amount is generally equal to 75 percent of the full tier I amount payable to aged widow(er)s, prior to any reductions. Eligible children and grandchildren are paid the same tier I amount. The tier II amount paid these beneficiaries is 30 percent of the tier I amount prior to reduction for social security entitlement. However, if the sum of the tier I amounts for all family members exceeds the social security family maximum, then all tier I benefits are reduced proportionately to total that maximum, with corresponding reductions of the tier II amounts. A reduction for the family maximum generally occurs when three or more family members are eligible to receive survivor benefits. The average net tier I amounts being paid to widowed mothers (fathers) and children at the end of the fiscal year were $301 and $268, respectively. The corresponding tier II amounts were $92 and $84. Social security benefits were paid to 100 widowed mothers (fathers) and 2,900 children, averaging $247 and $163, respectively. Average tier I reductions for social security benefits were $218 and $155, respectively. Windfall benefits, averaging $73, were paid to 100 widowed mothers (fathers). Children and dependent parents are not eligible for windfall benefits.

The average age of aged widow(er)s on the rolls at the end of fiscal year 1980 was 78 years. The average age of 63 years for disabled widow(er)s was considerably lower since this type of benefit is awarded at ages 50-59 and has been in effect only since 1968. The average age for widowed mothers (fathers) was 52; this type of benefit terminates when the youngest child attains age 18, unless the child is disabled. Average ages for minor and student children were 15 and 20 years, respectively. The average age of 49 years for disabled children was relatively high, as this type of annuity begins after age 18 and is usually payable for life.

Lump-Sum Benefits

Two types of lump-sum benefits are payable to survivors of deceased railroad employees—an insurance lump sum and a residual payment.

An insurance lump-sum benefit is payable at the time of the employee's death only if there are no survivors immediately eligible for monthly benefits. When an insurance lump sum is not payable at death, a deferred lump sum can be paid 12 months later, if the total of monthly benefits paid to a widow(er) during the year is less than the full insurance lump-sum amount would have been. For survivors of employees with 10 years of railroad service prior to 1975, the insurance lump sum is based on earnings through 1974, with a maximum benefit of nearly $1,200. Insurance lump sums to survivors of employees with less than 10 years of service prior to 1975 are limited to $255, the same as social security lump-sum payments.

Insurance lump sums awarded during the fiscal year numbered 11,800 and averaged $780. About 11,700 of these awards were regular insurance lump sums, averaging $780, while the remaining 100 were deferred lump sums, averaging $805. The regular lump sums included 2,000 to widow(er)s and 9,700 to the individuals, usually the employee's adult children, who paid the employee's funeral expenses. The deferred payments were to widow(er)s who worked for most or all of the year following the employee's death.

Residual payments guarantee that railroad employees and their survivors will receive at least as much in benefits as the employee paid in railroad retirement taxes for the years 1937-74. A residual payment, which includes an allowance in lieu of interest, can only be made if no other benefits based wholly or in part on railroad service will be payable in the future. It is reduced for any retirement benefits that have been paid on the basis of the employee's railroad service, and for any survivor benefits previously paid by either the Railroad Retirement Board or the Social Security Administration. Widow(er)s and parents under age 60 can elect to waive their rights to future benefits based on the employee's railroad service in order to receive the residual payment. Awards of residual payments during the fiscal year totaled 1,000 and averaged $5,718. Widow(er)s received almost 500 of these payments, based on an election to waive future benefits. The balance of the residual payments were made to other relatives, designated beneficiaries, or the employee's estate.

Lump-Sum Tax Refunds

Railroad employees may be eligible for a tax refund of excess social security taxes at retirement if they have at least 10 years of railroad service with concurrent social security employment during 1951-74, and are not entitled to a windfall based on their own earnings. The refund is equal to the social security taxes on the portions, if any, of the employee's combined railroad retirement and social security covered earnings for the years 1951-74 that were in excess of specified annual maximums (equal to 12 times the railroad monthly maximum at the end of the year). Railroad employees entitled to tax refunds for years after 1974 claim them on their Federal income tax returns. During fiscal year 1980, tax refunds averaging $62 were paid to 3,000 persons. Most of these refunds were paid to employees retiring during the year. About 100 tax refunds, averaging $36, were paid to survivors of eligible employees who died before receiving the refund.

Operations Under Medicare

The Medicare program provides health insurance for persons age 65 or older, as well as persons under age 65 who have been totally disabled for a period of at least 29 months (24 months for children) or who are suffering from chronic kidney disease requiring hemodialysis or a transplant. Hospital insurance is financed through payroll taxes paid by employees, with matching taxes paid by employers. In addition to basic hospital insurance, there is an elective, supplementary medical insurance plan. Funding for the supplementary plan comes from monthly premiums paid by those enrolled in the plan, with additional financing coming from government revenues. Eligible railroad beneficiaries are automatically enrolled under both plans; however, supplementary medical insurance may be declined. Eligible non-retired individuals must apply for Medicare benefits. At the end of the fiscal year, about 866,000 actual or potential railroad retirement beneficiaries were covered by the basic hospital insurance plan. Ninety-eight percent of those individuals were also enrolled for supplementary medical insurance.

Hospital Insurance

During fiscal year 1980, about 36,000 railroad retirement beneficiaries who either attained age 65 or met the disability requirements for early Medicare were automatically enrolled for hospital insurance. Another 6,000 non-retired railroad employees and their spouses filed for enrollment. Hospital insurance benefits are paid to railroad retirement beneficiaries and enrolled railroad employees from the Federal Hospital Insurance Trust Fund, on the same basis as persons covered under the social security system. Payments totaling $54,000 were made from the Railroad Retirement Account to railroad beneficiaries receiving hospital services in Canada.

Medical Insurance

The Travelers Insurance Company, which processes most of the supplementary medical insurance claims of railroad Medicare enrollees, made payments of $232 million in fiscal year 1980, an increase of $42 million over the preceding fiscal year. These payments included about $219 million to claimants age 65 or older, $13 million to disabled persons under age 65, and a relatively small amount to those suffering from chronic kidney disease.

The regular monthly premium for medical insurance was $8.70 for coverage through June 1980 and $9.60 thereafter. Those who do not enroll during their first period of entitlement pay an additional 10 percent for each full year that they were eligible but did not enroll. Higher premiums are paid by only three percent of those enrolled under the supplementary program. Medical insurance premiums are usually withheld from the checks paid to railroad retirement annuitants. As of September 30, 1980, some 822,000 premiums were being withheld from annuity checks and state agencies were paying the premiums for another 19,000 annuitants. About 6,000 non-retired employees and spouses were paying their premiums to the Board, either directly or through an intermediary. Premiums withheld by or paid to the Board are periodically transferred to the Federal Supplementary Medical Insurance Trust Fund.

UNEMPLOYMENT AND SICKNESS BENEFIT OPERATIONS

Railroad unemployment and sickness benefits are paid on the basis of benefit years starting July 1 and ending June 30 of the following year. Consequently, operational data in this section are generally presented on this basis. However, selected financial data are given for the Federal Government fiscal year period (October 1-September 30) where appropriate.

Unemployment and sickness benefits paid under the Railroad Unemployment Insurance Act during the 1979-80 benefit year (year ending June 30, 1980) totaled $172.7 million, an increase of $7.7 million over the $165 million amount of a year earlier. Beneficiaries also increased, numbering 164,000 in benefit year 1979-80, compared to the previous year's total of 162,300.

The increases were confined to the unemployment program; both benefits and beneficiaries declined slightly under the sickness program in comparison to the prior year. The unemployment increases (with beneficiaries topping the 100,000 level for the first time since benefit year 1975-76) were the direct result of a national decline in economic activity, which spanned a substantial segment of the year. The sickness decreases reflected a slightly lower beneficiary utilization rate, and also a reduction in the average duration of sickness (from 53 compensable days in benefit year 1978-79 to 50 compensable days in benefit year 1979-80). The number of qualified employees under the Railroad Unemployment Insurance Act increased marginally to 609,200 from the 607,500 total of the previous year.

Unemployment

Some 101,600 railroad workers received $112.7 million in unemployment benefits during the 1979-80 benefit year. These figures are increases over the preceding year of 4,400 beneficiaries and $11.9 million in payments, reflecting the effects of an unfavorable eco-

Major unemployment and sickness benefit operations, benefit years 1979-80 and 1978-79

Item	Benefit year 1979-80			Benefit year 1978-79		
	Total	Unemployment	Sickness	Total	Unemployment	Sickness
Applications	239,700	136,900	102,800	228,300	124,800	103,500
Claims	1,118,500	650,200	468,300	1,066,400	580,600	485,800
Beneficiaries[1]	164,000	101,600	76,800	163,300	97,200	78,300
Net amount of benefits	$172,748,400	$112,705,800	$60,042,600	$165,029,300	$100,794,600	$64,234,700
Number of payments:						
Normal	968,300	583,600	384,700	906,000	508,000	398,000
Extended	56,800	12,900	43,900	80,600	23,800	56,700
Total	1,025,000	596,500	428,500	986,600	531,900	454,700
Average amount per two-week registration period:						
Normal	$210.83	$198.19	$230.14	$212.30	$197.90	$230.60
Extended	236.15	226.53	238.92	231.00	216.40	239.60
Total	212.22	198.79	231.04	213.90	198.70	231.70

[1] Benefits for both unemployment and sickness were paid to approximately 14,000 employees in benefit year 1979-80 and 13,000 in benefit year 1978-79.

NOTE.—Figures may not add to totals shown because of rounding.

nomic environment. Railroad strike activity was considerably less than in the previous year. In benefit year 1978-79, some 25,000 beneficiaries were paid $26.6 million in strike-related benefits; in benefit year 1979-80, approximately 19,000 beneficiaries received only $5.1 million in such benefits, as little strike activity of lengthy duration occurred.

The onset of the national recession (which resulted in a six percent reduction in the index of leading economic indicators in comparison with the prior benefit year) did not affect the railroad industry until the middle of the 1979-80 benefit year. Moreover, railroad unemployment did not reach sufficiently high levels to initiate a "period of high unemployment" in the railroad industry until the very end of the benefit year. Consequently, short-service railroaders (less than 10 years of railroad service) were not eligible to begin receiving extended benefits at any time in the 1979-80 benefit year.

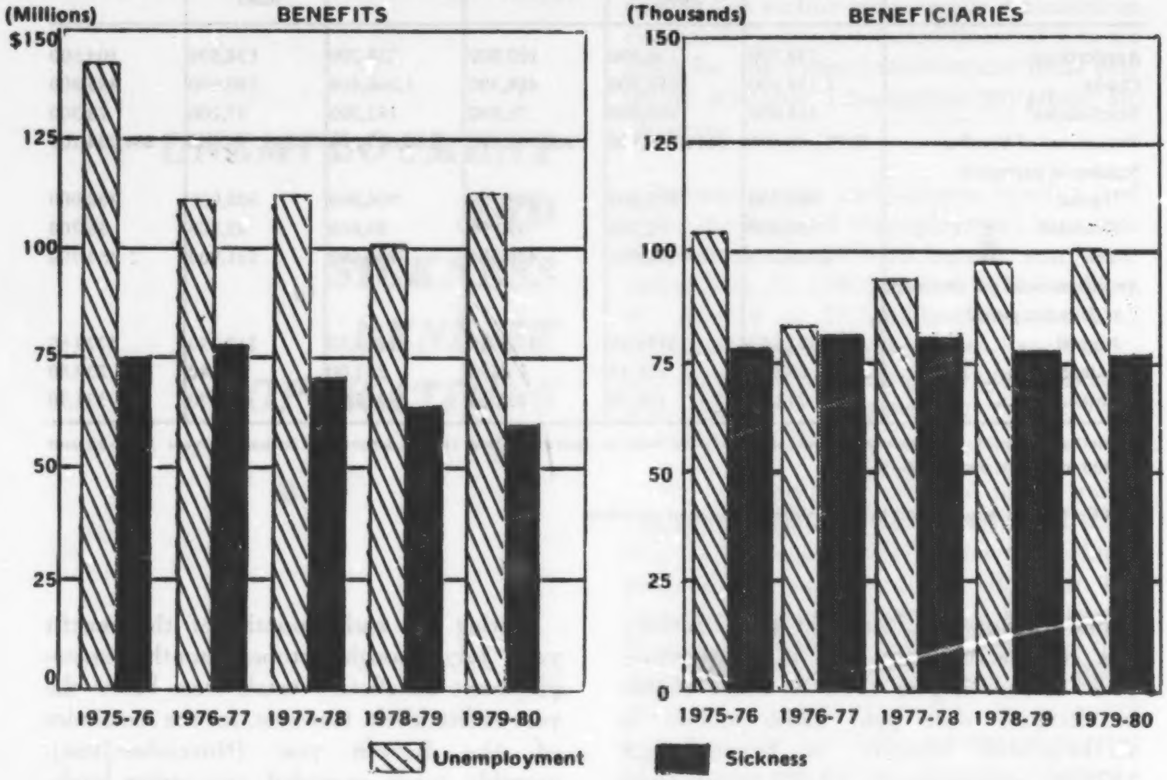
During the early months of the benefit year, July through October, monthly unemployment beneficiary totals were below the year-earlier levels. However, for the remainder of the benefit year (November-June), monthly totals exceeded year-earlier levels. The weekly number of beneficiaries in the 1979-80 benefit year peaked at 40,600 in mid-January, after having hit a low of 9,000 in early July. The number of beneficiaries for the entire 1979-80 benefit year averaged 23,700 per week, over 3,000 more than in the preceding benefit year.

Effects of the recession were also visible in a number of statistical measures of unemployment. The average duration of unemployment, for example, was 46 compensable days, three days longer than in the previous year. The overall unemployment beneficiary rate was 17 per 100 qualified employees, up from 16.

Ten of the 17 occupational groups had

CHART 1

Benefits and beneficiaries under the Railroad Unemployment Insurance Act, benefit years 1975-76 through 1979-80



more beneficiaries in benefit year 1979-80 than in the preceding year. While brakemen-baggagemen-switchtenders made up the occupational group with the greatest number of beneficiaries (23,400), other maintenance-of-way employees had the highest beneficiary rate (32 beneficiaries per 100 qualified employees). This latter group was also paid the highest average benefits ($1,801) in the year and was unemployed for the longest average duration (73 compensable days).

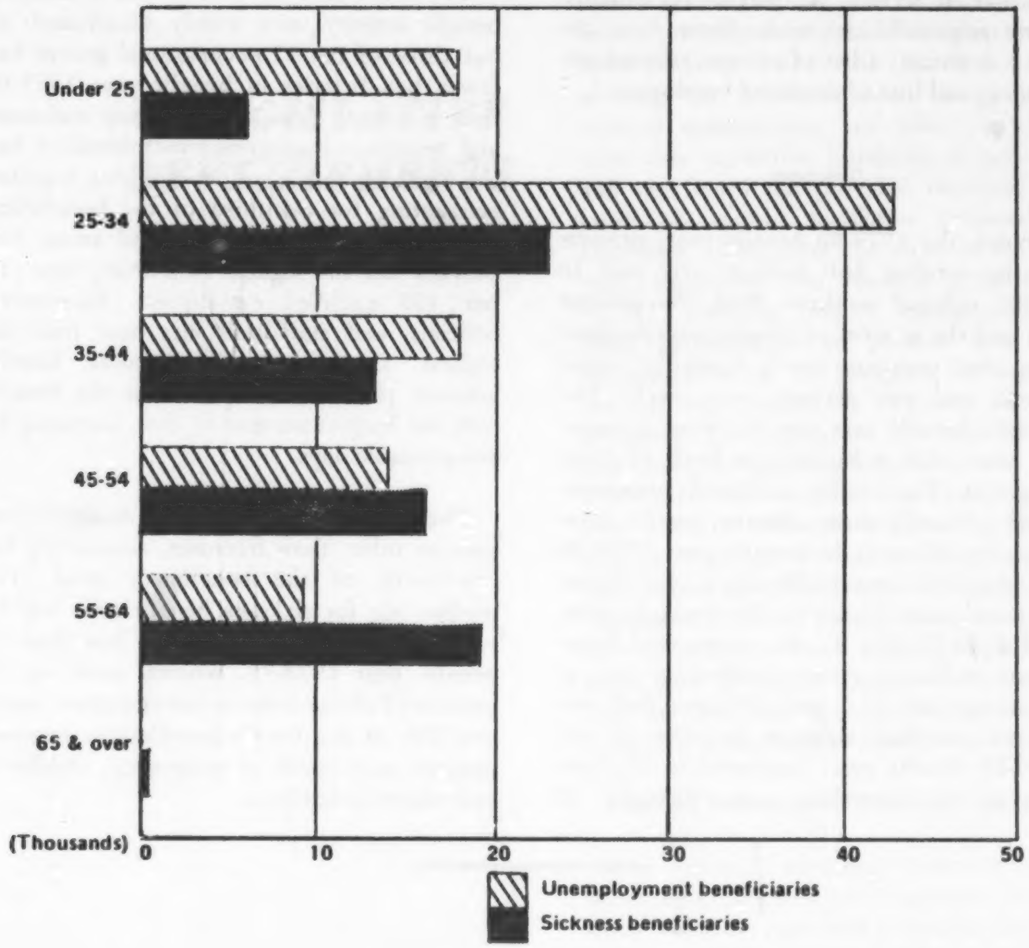
The median age of all unemployment beneficiaries in benefit year 1979-80 was 32 years, one year less than in the previous year. Women made up five percent of the beneficiary total and were unemployed for shorter durations than men, averaging 43 compensable days of unemployment during the year, three days less than the male average.

Placement of Unemployed Railroaders

During the 1979-80 benefit year, jobs were found for 3,900 unemployed railroad workers as a result of cooperative placement activities by railroad management, railroad labor organizations and the Board. This figure represents a drop of less than 100 placements from the prior year, despite significantly worse economic conditions. Local railroad unemployment claims agents, who are primarily employed by the carriers, assisted in the majority (66 percent) of the placements.

CHART 2

Unemployment and sickness beneficiaries, by age, 1979-80



Nearly 63 percent of the placements were in other jobs in the railroad industry.

The placement service is operated under the auspices of the Board and is provided to railroad employees free of charge. The primary objective of the program is to provide employment for experienced railroaders in need of work, thus benefiting both the unemployed seeking jobs and railroad employers who are in need of trained employees. An additional benefit resulting from the placements is a reduction in the costs of the unemployment benefit program, which is financed in total by railroad employers.

Aside from the regular placement service, both the Milwaukee Railroad Restructuring Act and the Rock Island Railroad Transition and Employee Assistance Act include provisions that grant certain qualified employees hiring preference for railroad job vacancies (other than those covered by affirmative action plans). The hiring preference was provided because of the need for employment protection for railroad employees who lose their jobs due to carrier restructuring or cessation of service. As part of its administrative responsibilities under these Acts, the Board maintains a list of current railroad job openings and lists of displaced employees.

Sickness

During the 1979-80 benefit year, sickness benefits totaling $60 million were paid to 76,800 railroad workers. Both the amount paid and the number of beneficiaries declined from the previous year's levels–by seven percent and two percent, respectively. The 1979-80 benefit year was the third consecutive year with reductions in both of these categories. The decline in benefit outgo resulted primarily from shorter benefit durations, beneficiaries in benefit year 1979-80 averaging 50 compensable days of sickness, compared with 53 days in the previous year. The slight decline in the number of beneficiaries reflected a lower utilization rate, as an average of 12.6 per 100 qualified employees received sickness benefits in the 1979-80 benefit year, compared to 12.9 per 100 in the preceding year. Virtually all sickness claimants were paid at the $25 maximum daily benefit rate.

The reductions which occurred in sickness benefit activity were widely distributed; all but three of the 17 occupational groups had fewer beneficiaries in benefit year 1979-80 than in benefit year 1978-79. Shop craftsmen and brakemen-baggagemen-switchtenders had the highest numbers of beneficiaries, together accounting for one-third of the beneficiary total. However, other shop and stores employees had the highest beneficiary rate (17 per 100 qualified employees). Executives, officials, and staff assistants were paid the highest average annual sickness benefit amount ($1,377) and were on the benefit rolls the longest amount of time, averaging 55 compensable days.

The most frequent cause of disability was injuries other than fractures, accounting for one-fourth of the beneficiary total. The median age for sickness beneficiaries was 41 years, which was three years less than in benefit year 1978-79. Women made up 10 percent of all the sickness beneficiaries; nearly one-fifth of the female beneficiaries received benefits as a result of pregnancy, childbirth and related conditions.

LEGISLATIVE DEVELOPMENTS

The primary goal of the Railroad Retirement Board in recent years has been passage of legislation to correct the Railroad Retirement Account's long-term actuarial deficit before cash-flow problems develop in the 1980's. Since 1976, the Board has been advising the Administration, Congress, and railroad management and labor representatives that corrective legislation is necessary, and the Board has provided technical assistance on various legislative proposals. In December 1980, after the close of the fiscal year, legislation was enacted (Public Law 96-582) directing railroad management and labor representatives to present their joint recommendations to Congress for resolving the railroad retirement system's financing problems. The legislation also extended certain cost-of-living benefit increases into 1981. While there were no amendments during fiscal year 1980 to either the Railroad Retirement Act or Railroad Unemployment Insurance Act, Board operations were affected by the Milwaukee Railroad Restructuring Act (Public Law 96-101), the Rock Island Railroad Transition and Employee Assistance Act (Public Law 96-254), and the 1980 Social Security Disability Amendments (Public Law 96-265).

Railroad Retirement Financing Legislation

The railroad retirement system's current financing problems became apparent in 1976, when the first actuarial valuation following enactment of the Railroad Retirement Act of 1974 was completed. While the 1974 Act had substantially improved railroad retirement financing, the valuation indicated that long-term financing problems remained and that cash-flow problems could occur in the 1980's. The next valuation, completed in 1979, confirmed the long-term financing problems indicated by the previous valuation and indicated cash-flow problems in the 1980's, except under the most optimistic economic and legislative assumptions. Current projections, taking into account current economic conditions, indicate that the railroad retirement system faces cash-flow problems in 1983, or possibly 1982, unless corrective legislation is enacted in the meantime.

Public Law 96-582 addressed the railroad retirement system's financing problems by directing that:

> No later than March 1, 1981, representatives of employees and representatives of carriers, acting through a group designated by them, shall submit to the Senate Committee on Labor and Human Resources and the House of Representatives Committee on Interstate and Foreign Commerce a report containing their joint recommendations for further restructuring of the railroad retirement system in a manner which will assure the long-term actuarial soundness of such system.

While the labor and management representatives did not come to an agreement on joint recommendations by March 1, 1981, as scheduled, they jointly requested that Congress allow them an extension to continue negotiating the agreement and that Congress defer any other initiatives until they had come to such an agreement. This request of the labor-management negotiators was premised on recognition of the progress which they had achieved. As this issue of the *Review* went to press, it was reported that the negotiators had reached an agreement.

The cost-of-living increase provision of this legislation pertained to the tier II portion of employee and spouse annuities. Tier II portions, payable over and above tier I, are comparable to private industrial pensions and are financed solely by railroad employers. The Railroad Retirement Act of 1974 provided four increases in the tier II portion of employee and spouse annuities, the last of which was payable in 1980. By providing a tier II increase payable in July 1981, calculated in the same way as the previous four increases, Public Law 96-582 continued the existing benefit structure intact while negotiations for the long-term future of the system proceed.

Milwaukee Railroad Restructuring Act

The Milwaukee Railroad Restructuring Act (Public Law 96-101) was enacted on November 4, 1979, to assure the continuation of necessary operations of the bankrupt Chicago, Milwaukee, St. Paul and Pacific Railroad. The Act also provided protective measures for Milwaukee Road employees adversely affected by the restructuring and delegated administrative responsibilities for some of these protective measures to the Board. Under the Act, the Board is responsible for administering a job placement program, a supplementary unemployment insurance benefit program and a new career training assistance program. The Board was also given responsibilities for informing employees of their rights under the Act and for assisting in the resolution of labor-management disputes arising under a negotiated employee protection agreement.

The Act provided industry-wide preferential hiring rights to certain separated or furloughed Milwaukee Road employees, and it authorized the Board to operate a job placement program to match Milwaukee Road employees with available jobs throughout the railroad industry. To qualify for the hiring preference, an individual must meet four requirements. First, the individual must have been an employee of the Milwaukee Road on September 30, 1979. Second, the individual must have been separated or furloughed from the Milwaukee Road before April 1, 1981, because of a reduction in service. Third, the separation or furlough must not have been for cause. Fourth, the individual must not be less qualified for a vacancy than other applicants. However, a job vacancy is exempt if the carrier is recalling its own furloughed employees, or if the vacancy is covered by a required or permissible voluntary affirmative action plan.

In administering this program, the Board, in effect, operates a job bank, providing railroads with listings of displaced Milwaukee Road employees and notifying former Milwaukee Road employees of job opportunities in the railroad industry. By the end of the 1980 fiscal year, almost 500 former Milwaukee Road employees were placed in new jobs.

Under the Restructuring Act, the Board also administers a supplementary unemployment insurance benefit program and a new career training assistance program. Funds for these programs were transferred to the Board from the Department of Transportation in September 1980. The Board began accepting applications from former Milwaukee Road employees at that time and made initial benefit payments under these programs in October 1980.

Supplementary unemployment insurance is a monthly benefit payable for 36 months or the employee's total months of Milwaukee Road service, whichever is less. The monthly benefit rate is 80 percent of the employee's average monthly normal compensation during a 29-month test period beginning June 1977, reduced by the amount of any earnings and by the amount of any state or railroad unemployment benefits payable. Supplementary unemployment insurance benefits are not payable after April 1, 1984, unless the employee has not received these benefits for at least eight months by that date.

To qualify for supplementary unemployment insurance, a Milwaukee Road employee must either (1) be employed by the "restructured Milwaukee Road" and be separated or furloughed from that employment because of a reduction in service before April 1, 1984, or (2) be separated or furloughed by the Milwaukee Road, obtain a job with another railroad, and then become unemployed. The "restructured Milwaukee Road" will not come into existence until the Interstate Commerce Commission certifies a reorganization plan. An employee is disqualified if he or she resigns, retires, is discharged for cause, or fails to exhaust seniority rights or other employment rights under an applicable collective bargaining agreement. In addition, no benefits are payable for any month or portion of a month in which unemployment is due to normal seasonal unemployment patterns in the railroad industry.

The new career training assistance program reimburses employees up to $3,000 for room, board, tuition, fees and educational materials for new career training. To qualify, an employee must have elected to receive a separation allowance from the Milwaukee Road under an employee protection agreement and must begin a course of training at a qualified educational institution within two years following his or her date of separation from the Milwaukee Road. No assistance will be provided after April 1, 1984.

The Act also required the Board to prepare an informational pamphlet on the protective provisions for Milwaukee Road employees within 30 days of enactment. The Board completed the pamphlet on schedule and also participated in informational seminars to acquaint Milwaukee Road employees with their benefit rights. The Board later published a revised informational pamphlet when additional benefits became available due to a subsequent negotiated employee protection agreement.

In addition to the protective measures administered by the Board, other benefits are available to employees through provisions of the employee protection agreement, which is administered by the Milwaukee Road. Under the terms of the agreement, the Board is to settle disputes which may arise between an employee and the railroad regarding a benefit claim.

Rock Island Railroad Transition and Employee Assistance Act

The Rock Island Railroad Transition and Employee Assistance Act (Public Law 96-254), enacted May 30, 1980, provided various protective benefits for employees of the bankrupt Chicago, Rock Island and Pacific Railroad. Under the Act, the Board was given administrative responsibilities for a job placement program, a new career training assistance program and other protective measures which were to be negotiated under an employee protection agreement. The benefit provisions of the employee protection agreement were to be financed through a Federally-guaranteed loan, which was eventually to be repaid from the Rock Island estate. However, creditors of the Rock Island challenged the constitutionality of provisions which mandated that employee protection benefits would eventually be paid from the Rock Island estate; and a court injunction was issued barring implementation of the employee protection provisions. On July 2, 1980, the U.S. Supreme Court refused to grant emergency relief from the injunction. Employee protection measures for Rock Island employees were subsequently included in the Staggers Rail Act of 1980, but a court injunction was issued barring implementation.

In April 1981, the U.S. Supreme Court agreed to study the constitutionality of the sections of the Act providing for an employee protection agreement. The injunction remains in effect until the Supreme Court makes a final decision in the case, which is not expected until autumn of 1981.

While the court injunction barred implementation during the 1980 fiscal year of those employee protection measures which were to be financed through the estate of the Rock Island, the Board was able to carry out provisions authorizing preferential hiring rights for former Rock Island employees. Under these provisions, former Rock Island employees have preferential hiring rights to railroad jobs throughout the railroad industry, co-equal to those provided former Milwaukee Road employees as described earlier.

To qualify for hiring preference, an individual must have been a Rock Island employee as of August 1, 1979, and must be separated or furloughed from that employment before January 1, 1981, because of a reduction in service by the Rock Island or another carrier providing temporary service over Rock Island lines. The preferential hiring rights do not apply if the employee was separated for cause or is less qualified than other applicants. Nor do they apply if the carrier is recalling its own furloughed employees, or if the vacancy is covered by a permissible or required voluntary affirmative action plan. During fiscal year 1980, about 400 former Rock Island employees were placed in jobs through this program.

The Act also required the Board to prepare an informational pamphlet informing Rock Island employees of their rights under the Act within 45 days of enactment. Because of the legal issues which arose after enactment, the Board was unable to provide a complete and definitive description of these rights at that time. However, the Board did notify former Rock Island employees of their preferential hiring rights and that further information would be provided when the legal issues were resolved.

Social Security Disability Amendments of 1980

The Social Security Disability Amendments of 1980 (Public Law 96-265) were signed into law on June 9, 1980. These amendments are intended to strengthen the integrity of disability programs, to increase equity among beneficiaries, to offer greater assistance to those who are trying to work and to improve program administration. Because of the coordination between the railroad retirement and social security systems, certain provisions of this legislation directly affect benefits under the railroad retirement system. The major provisions affecting railroad retirement annuitants involve benefit calculations and Medicare eligibility requirements for disabled workers.

Social Security Benefit Formula Revisions

Under previous social security law, five years of low earnings generally could be excluded in computing a disabled worker's average monthly earnings for benefit purposes. This often meant that benefits to young disabled workers were disproportionately high, since benefit computations could be based on only a few years of recent high earnings. For persons initially entitled to disability benefits beginning July 1980 or later, the amendments provide a graduated scale for dropping years of low earnings, based on the worker's age when the disability starts.

The number of years of low earnings to be dropped from computations ranges from five years for workers age 47 or over, the same as under previous law, to no dropout years for workers under age 27. However, effective July 1981, a disabled worker under 37 can have an additional dropout year for each year he or she had no earnings and had a child under age three living in the same household. In no case, however, can the total dropout years (regular and childcare) exceed three.

The amendments also placed a limit on total family monthly benefits under the social security disability overall minimum guarantee.

These changes directly affect the computation of the tier I portion of disability annuities for railroad workers, and will affect annuity computations made under a guarantee which provides that benefits to a railroader and family members will be at least as much as would be payable under social security.

Social Security Medicare Coverage

Under previous law, a person generally had to be receiving disability benefits for at least 24 consecutive months before being eligible for Medicare health insurance benefits. If a person recovered from disability, Medicare coverage would end; and a new waiting period was required if the person became disabled again.

The social security amendments provided that, effective December 1980, the 24-month waiting period need not be consecutive if a worker becomes reentitled to total disability benefits within five years, or if a disabled widow, widower, or child becomes reentitled to disability benefits within seven years. In those cases, any months during the first period of disability can count toward meeting the Medicare waiting period requirement. If an individual had completed the Medicare waiting period during an earlier disability and becomes disabled again within five or seven years, respectively, a new waiting period is not required.

The amendments also allow Medicare coverage to continue for up to two years after disability benefits are terminated because of a return to substantial gainful activity if the person has not recovered medically from the disability. This provision was also effective December 1980.

These changes directly affect Medicare coverage for persons covered under the railroad retirement system.

ADMINISTRATIVE DEVELOPMENTS

Management Improvements

During the 1980 fiscal year, the Board initiated numerous programs to improve the efficiency of Board operations and to eliminate waste, fraud and error. Some of the major programs are as follows:

Benefit Accuracy Study

In an effort to increase efficiency and improve service to the public, the Board began a benefit accuracy study to identify and correct recurring problem areas in its retirement and survivor claim operations. About 5,000 of the one million annuitants on the Board's rolls were selected for the study at random, using statistical techniques to assure a representative sample of the major beneficiary groups. These annuitants will be interviewed to verify the accuracy of information in the Board's records, and benefits will be recomputed to determine if the correct amount is being paid. While any erroneous payment will be corrected, the primary focus of the study is to identify and correct any procedures found to be error-prone.

The results of the study, which should be available for analysis in late 1981, will provide the Board substantial data with which to make future management decisions on its quality control activities, organizational planning, and operating techniques.

Internal Audit Activities

Upon the recommendation of the General Accounting Office, the Board increased its internal audit staff to broaden the scope of its audit activities, including reviews of efficiency, effectiveness and economy, and to expand audits of automatic data processing activities.

Audit activities were placed under a Senior Executive Service position, and auditors with wide experience in other government operations were recruited to provide a high level of professional expertise. For the first time in the Board's history, a comprehensive audit plan was developed and put into effect for fiscal year 1980.

The Board also established audit follow-up procedures which placed responsibility for resolving audit recommendations on operating officials, and require them to report to the Board's Chief Executive Officer each quarter on the status of recommended corrective actions. These procedures assure that operating officials respond promptly and adequately to recommendations made in internal audit reports as well as audit reports by outside organizations.

Management Study

In 1980, the Board's audit staff completed a comprehensive report on the Board's organizational structure and individual functions. The report identified shortcomings and significant problems in the Board's organizational structure which had evolved over past years, and it presented detailed recommendations for alternative organizational structures. The report is intended to be a basic "road map" for orderly management improvements, although it is flexible enough to incorporate future changes in needs or priorities. Organizational changes in the Board's automatic data processing operations have been implemented based on the report, and further changes are being considered.

Public Information Collection

In response to an Executive Order, the Board prepared its first annual information collection budget, which estimates the total number of hours required by the public to comply with the Board's requests for information. The Board's initial estimates indicate that it must continue to impose about 400,000 hours of reporting burden a year on the public to carry out its program responsibilities. However, the Board has begun revising, combining and eliminating requests for information to reduce the public reporting burden. During fiscal year 1980, these measures enabled the Board to reduce the public annual reporting burden by about 4,000 hours.

Debt Collection

Increasing concern within the Federal Government over its ability to collect debts prompted the General Accounting Office and the Department of Justice to issue new debt collection standards for improving their collection systems. The Board analyzed the new standards in terms of their anticipated effect on railroad employers and the Board's beneficiaries, and it devised approaches to their implementation which are compatible with the Railroad Retirement and Unemployment Insurance Acts. Debt collection guidelines were consequently developed that allow the charging of interest on delinquent debts.

Privacy and Computer Security

Privacy and security are two areas that have received much attention recently, especially with the accumulation of large amounts of data in computers and the potential for misuse of information. To protect information and assets, recent Administration directives required each agency to evaluate its computer security program, using a technique called risk analysis. The Board contracted with a private corporation with expertise in this area to appraise the implementation of the 1974 Privacy Act requirements. Following completion of the contractor's study, the Board developed a formal implementation plan which identifies measures it can take to reduce its vulnerabilities at a minimum cost.

Automated Folder Control System

The Board's automated folder control

system, which utilizes bar code labels and optical scanning equipment, has been operating for over one year, with notable success. This system, with over 50 remote on-line terminals, keeps track of the movement and location of all of the Board's 2.2 million claim folders, of which over 60,000 are generally in use at any time. Since its inception, there has been a marked reduction in the number of lost or misplaced folders and in the amount of unmatched correspondence and claims materials. Furthermore, the folder control system provides much quicker turnaround time in obtaining folders than previously and immediate on-line responses to queries about the location of specific folders. The system has also provided the Board with a new management information system, which produces periodic reports on the number of folders located in each unit and the length of time they are kept in a unit.

Check Replacement

In March 1980, the Board and the U.S. Treasury Department began processing reports of non-receipt of checks through a magnetic tape exchange. Through this procedure, a substitute check can be issued within nine days, as compared to about five weeks under the previous system. The previous system required more clerical processing by both the Board and Treasury. Also, the Board now receives a magnetic tape from Treasury indicating returned checks, instead of the hard copy previously provided. This reduces the possibility of clerical errors.

Informational Conferences and Labor Contacts

During the year, 2,841 railroad labor union officials attended 58 informational conferences held in 54 cities throughout the United States.

At these conferences, Board representatives describe and discuss the benefits available under the Board's retirement-survivor, unemployment-sickness and Medicare programs. Question and answer sessions help assure that each attendee has a thorough knowledge of the Board's programs, and they allow attendees to explore other areas of current or special interest, such as the administration or financing of the Board's programs.

Each conference attendee also receives an Informational Conference Handbook and Informational Conference Kit. These informational materials describe in detail the benefit provisions as well as the administration and financing of the Board's programs, and they can be used as a reference after the conference is concluded.

Since 1957, when informational conferences were inaugurated by the Labor Member of the Board, they have become an integral part of the Board's public information program. Railroad labor officials achieve a basic understanding of the Board's programs at these conferences and, in turn, convey this information to their fellow workers in their day-to-day contact on the job. These conferences help assure that railroad workers are kept aware of their benefit rights and responsibilities, while saving the Board the cost of explaining its programs to workers on an individual basis.

In addition, railroad labor unions frequently request that a Board representative speak before their meetings, seminars and conventions, and be available to answer questions about the railroad retirement and unemployment insurance systems. In fiscal year 1980, the Office of the Labor Member was represented at 32 union gatherings attended by 5,128 railroad labor officials. The Board's district office personnel addressed 116 local union meetings with 7,680 members in attendance.

Seminars for Railroad Officials

During the 1980 fiscal year, the Management Member's Office conducted 20 seminars attended by 525 railroad officials and assisted in the training of 150 railroad unemployment claims agents.

Seminars for railroad executives and managers were initiated by the Management Member of the Board in 1977. At these meetings, Board representatives review the Board's benefit programs, financing and administration, with special emphasis on those areas which require cooperation between railroads and the Board. These meetings have facilitated cooperation and coordination, and they have helped keep railroad officials up-to-date on the Board's programs.

The training program for railroad unemployment claims agents is designed to emphasize the importance of claims agents in the prompt and accurate payment of benefits and in the placement of unemployment claimants. These railroad unemployment claims agents assist employees in applying for benefits and are a primary source of job referrals. Their assistance helps the Board in providing service to beneficiaries and helps reduce program costs through placement of unemployed workers.

Assistance in Medical Studies

The Board assisted in a Harvard Medical School research study on the health effects of diesel exhaust emissions by compiling and providing information from Board records. In requesting the Board's assistance, Harvard researchers indicated that the Board's records offered a unique opportunity for further study of potential health problems associated with diesel exhaust fumes. Data released on railroad retirement beneficiaries who are still living do not reveal names or other identifying information, so that the privacy of their records is maintained.

The Board has also rendered assistance, since 1957, to an ongoing study on heart disease conducted by the University of Minnesota's School of Public Health.

Annuity Adjustments

Two separate railroad retirement annuity cost-of-living increases were payable in July 1980. The first was a 14.3 percent increase applicable to survivor annuities and to the tier I portion of employee and spouse annuities. The second was a 4.6 percent increase applicable to certain components of the tier II portion of employee and spouse annuities. About 967,000 annuities and 126,000 social security benefits being paid through the Board were adjusted for the cost of living in July 1980. The Board also adjusted Medicare supplementary medical insurance premiums for about 820,000 annuitants at that time.

In February 1980, about 15,000 annuities were mechanically adjusted (1) to increase certain spouse benefits because of an increase in the maximum amount payable, and (2) to allow additional earnings credits and delayed retirement credits to certain retired employees.

Electronic Data Processing

As recommended by a study group from the Federal Computer Performance Evaluation and Simulation Center, the Board installed a new back-up computer system to expand the operating capacity of the Board's primary system. The former back-up system did not provide sufficient operating capacity to implement new data processing activities and operations. The new system provides additional in-house back-up for central processing and memory operations but shares peripheral devices such as tape and disk drives with the primary system. The Board also installed a new direct access storage system which greatly expands the Board's disk storage capacity and performance. The additional capacity provides for growth potential in data processing operations to meet the requirements of the Board's expanding data base and increased on-line applications.

Personnel

There were a number of personnel changes in key administrative positions during the fiscal year and shortly thereafter. James E. Lanter was appointed Director of Hearings and Appeals upon the retirement of George J. Baynes. Maynard I. Kagen was appointed Director of Research, succeeding Abraham Benjamin who retired. Paul R. Cote was appointed Director of Budget and Fiscal Operations, succeeding John S. Suker, who served as Director of Investments until his retirement.

William W. Robe was appointed Director of the Board's San Francisco Regional Office, and Gerald R. Thurman was appointed Director of the Board's Kansas City Regional Office, upon the retirements of Emil T. Banjavic and John Price, Jr., respectively.

Because of hiring freezes, personnel ceilings and the time involved in completing Senior Executive Service appointments, the Board filled several executive positions on a temporary basis, by transferring Board executives to new positions until permanent appointments could be made. Dale G. Zimmerman, the Board's General Counsel, was appointed Acting Chief Executive Officer upon the retirement of Eugene E. Koch. Steven A. Bartholow succeeded Mr. Zimmerman as Acting General Counsel. Norman Solomon was appointed Acting Chief Actuary, succeeding Robert E. Larson who retired. Robert S. Kaufman was appointed Acting Director of Retirement Claims upon the retirements of former Director H. P. Gibbons and Thomas J. Bodkin, who had served as Acting Director following Mr. Gibbons' retirement.

As this issue went to press, the Board appointed Dr. James T. Brown Chief Executive Officer, effective July 13, 1981.

Employee Development

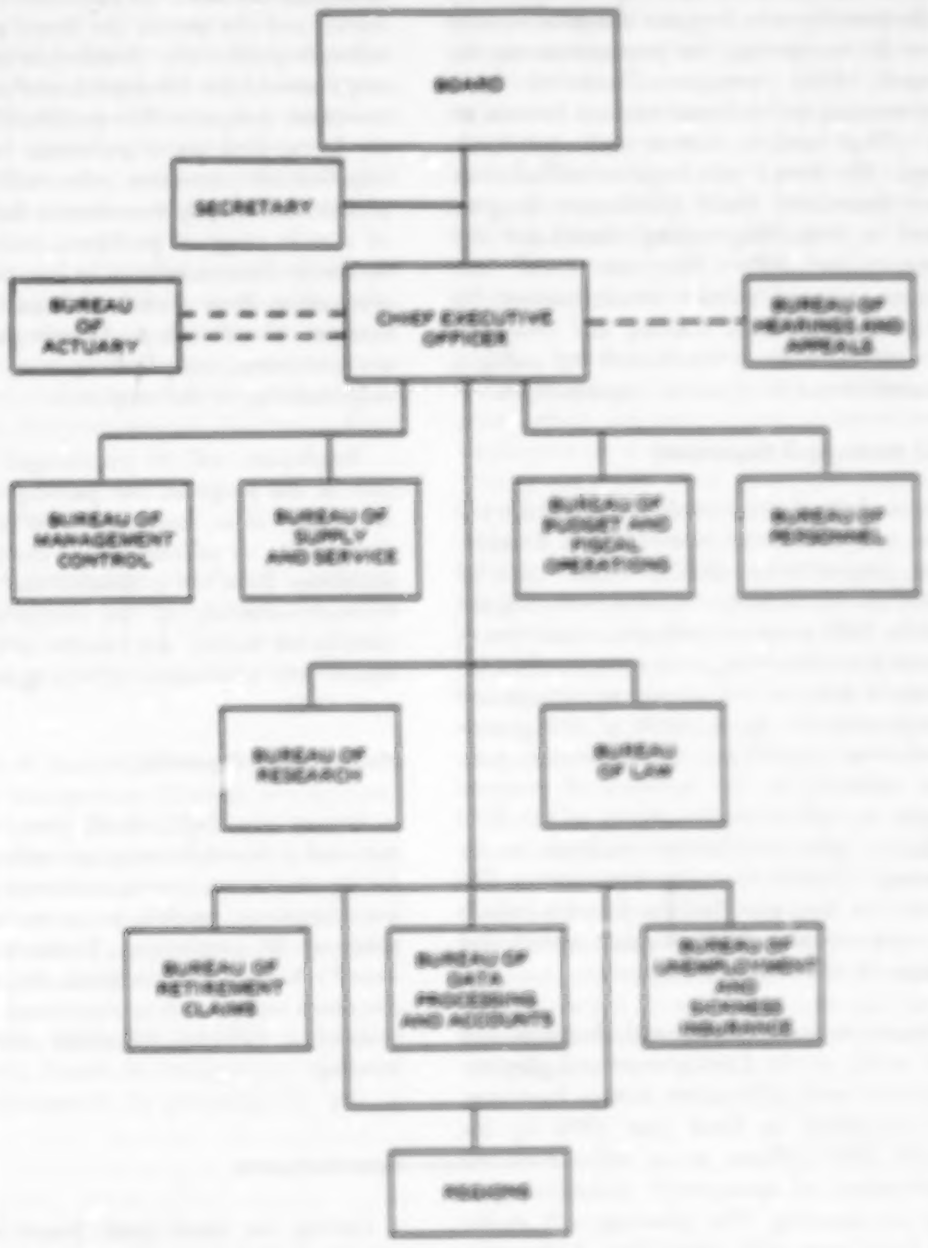
A Senior Executive Service Candidate Development Program was established for selected employees who demonstrate a high degree of talent and potential for executive work. The program is designed to develop and refine managerial skills and to establish a broad knowledge of Board and Government operations. The program will utilize work assignments as well as formal development programs, including those offered by the Office of Personnel Management.

The Board conducted a systematic training needs assessment of all supervisory personnel based on the managerial knowledge, ability and skill required in their work. The results of this assessment identified the Board's training needs and will provide a basis for training programs for future years.

During the 1980 fiscal year, the Board took the preparatory steps necessary for the implementation, in October 1981, of the Merit Pay provisions of the Civil Service Reform Act. Coverage determinations were made, and all GS-13 through GS-15 employees affected by the Act were notified accordingly. A draft Merit Pay and Performance Appraisal plan was written, with close coordination between the Board and representatives of the Office of Personnel Management in Washington, D.C. to assure compliance with the provisions of the law. Mid-level managers were given formal training in setting performance standards on which their appraisals and pay will be based. The Board's Merit Pay program was approved by the Office of Personnel Management in May 1981.

The Board continued to provide training opportunities to both new and experienced employees to improve job performance. Ninety-nine supervisory personnel participated in supervisory training programs through internal, interagency and nongovernmental sources. Fifty-two new contact representatives in the field service participated in a three-week technical training program conducted at headquarters by supervisory

Railroad Retirement Board administrative organization


BOARD
SECRETARY
BUREAU OF ACTUARY
CHIEF EXECUTIVE OFFICER
BUREAU OF HEARINGS AND APPEALS
BUREAU OF MANAGEMENT CONTROL
BUREAU OF SUPPLY AND SERVICE
BUREAU OF BUDGET AND FISCAL OPERATIONS
BUREAU OF PERSONNEL
BUREAU OF RESEARCH
BUREAU OF LAW
BUREAU OF RETIREMENT CLAIMS
BUREAU OF DATA PROCESSING AND ACCOUNTS
BUREAU OF UNEMPLOYMENT AND SICKNESS INSURANCE
REGIONS

- - - - Under the administrative supervision of the CEO, but responsible only to the Board in the formulation of its decisions with respect to appeals.

▬ ▬ ▬ Professionally responsible to the Board, administratively responsible to the CEO.

contact representatives. Sixteen clerical employees completed a new Upward Mobility Skills Development Program designed to help them in competing for promotions at the Board. This program included basic mathematics and communications courses on the college level, as well as on-the-job workshops. The Board also began a self-administered Secretarial Skills Enrichment Program aimed at improving typing, shorthand and transcription skills. Fifty-one Board employees received tuition reimbursement for obtaining job-related training and education on their own time, conducted by colleges, universities and professional organizations.

Equal Employment Opportunity

As a planned program development item in fiscal year 1980, the Board's Equal Employment Opportunity (EEO) Office initiated action to mechanize the data base for the Board's EEO program, with the acquisition of a word/data processing system to handle EEO statistical data, as well as required reports and correspondence. As a result of the system installation, significant improvements have been achieved in the accuracy of program output, as well as in the ability of the EEO Office to meet mandatory deadlines on increasingly diverse reporting requirements. The system has also provided the Board a vehicle for comprehensive EEO program review and analysis of all levels of the agency.

On-site training of regional directors and their staffs, in the development and administration of local Affirmative Action Programs, was completed in fiscal year 1980 by the Board's EEO Officer, as an adjunct to the development of agency-wide transition year program planning. The planning will evolve into fiscal year 1981 Multi-Year Affirmative Action Program Plans, required by the Equal Employment Opportunity Commission.

Employee Assistance Program

In recognition of the fact that personal problems not directly associated with job functions can affect an employee's job performance and the service the Board provides the railroad public, the Board has taken initial steps toward the development of an employee assistance program. The proposed program is to be staffed on a part-time basis by an experienced counselor, who will assist employees and family members in the resolution of a wide range of problems, such as marital or family distress, mental or emotional illness, alcoholism, drug abuse and financial and legal matters. If referrals to outside professionals are necessary, any resulting costs will be the responsibility of the employee.

Employees will be encouraged to participate in the program, but participation will be voluntary. If an employee who is subject to disciplinary or adverse action chooses to seek assistance from the counselor, the advice and recommendations of the counselor may be considered before any action is taken. The Board will implement this program in fiscal year 1981.

Pre-Retirement Counseling

During the 1980 fiscal year, the Board initiated a pre-retirement counseling program for its employees nearing retirement age. Two pre-retirement workshops were held for a total of 36 employees. Conducted by the Board's Bureau of Personnel, the workshops discussed topics such as emotional changes at retirement, hobbies, volunteer work, and job hunting.

Incentive Awards

During the fiscal year, Board employees submitted 199 suggestions for administrative improvements through the Incentive Awards Program. Forty-four suggestions were implemented by Board bureaus and regions. These suggestions resulted in savings of over $115,000 in tangible benefits and numerous intangible benefits. A total of $4,000 was awarded to the originators of the suggestions.

For special achievements in the performance of their duties, 94 Board employees received $21,000 in awards. It is estimated that these special achievements saved the Board administrative costs of over $120,000 and provided numerous intangible benefits.

After the end of the fiscal year, the Board approved major revisions in the Incentive Awards Program. The revisions were made to encourage greater employee participation in the program and to speed up the processing of the awards. The revisions are effective in fiscal year 1981.

Employee Achievements

Steven A. Bartholow, the Board's Assistant General Counsel, was awarded the 1980 Frank J. McGarr Award. The award honors outstanding government attorneys under age 35.

Kenneth P. Boehne, Director of the Board's Bureau of Management Control, was honored by the Arthur S. Flemming Commission in its 1980 awards program. Every year, the Flemming Commission honors 10 young Federal employees, selected from nominees across the country, who have performed outstanding and meritorious work.

In March 1981, United Blood Services honored the Board in recognition of "continued participation in providing the gift of life." Fifteen Board employees were presented gallon-donor pins for their blood donations; the Board's nurse, who administers the program, was awarded a special certificate of appreciation. The voluntary blood program, sponsored by the Board in conjunction with employee organizations, began in 1974 because of severe blood shortages in the Chicago area. During 1980, Board headquarters employees donated almost 250 pints of blood, and field employees participated in similar programs in their local areas.

The Board continued sponsorship of a cardiopulmonary resuscitation training program, which has been offered to headquarters employees on a shared-time basis since 1977. During the 1980 fiscal year, 139 employees successfully completed the training program, which is conducted under the auspices of the Chicago Heart Association. The program is designed to train individuals to provide emergency medical assistance to victims of heart attacks, choking, drowning and other medical emergencies. Field service employees are encouraged to take advantage of similar training programs offered in their local areas.

Board employees donated generously to the Combined Federal Campaign, pledging almost $53,000. These voluntary contributions help support local, national and worldwide charitable organizations. The *All A-Board*, the Board's employee newspaper, won an award in a Chicago-wide contest for promotional activities in conjunction with the campaign.

LEGAL RULINGS

Court Review

Twenty-two cases involving the Railroad Retirement Board were pending in the courts at the beginning of the 1980 fiscal year, and eight cases were opened during the fiscal year. Seventeen cases were pending at the end of the fiscal year.

The case of *Fritz (prev. Lipp), et al.* v. *Railroad Retirement Board* was a class action filed against the Board in the United States District Court for the Southern District of Indiana concerning certain dual benefit windfall payments. While the Railroad Retirement Act of 1974 provided for a phase-out of dual railroad retirement-social security benefits, which had been allowed under previous law, it included provisions to protect certain dual benefit rights based on railroad retirement and social security credits acquired before 1975. Individuals who meet certain vesting requirements are eligible for dual benefit guarantee (windfall) payments.

Employees who worked for a railroad in 1974 and retired after 1974 are vested if they had 10 years of railroad service and a fully insured status under social security at the end of 1974. These employees are entitled to a windfall payment computed on railroad retirement and social security credits through 1974, as are employees who did not work for a railroad in 1974, but had 25 or more years of railroad service before 1975 or a current connection with the railroad industry on December 31, 1974, or when they retire. Employees who do not meet the above requirements are vested only if they have 10 years of railroad service and a fully insured status under the Social Security Act as of the end of the year before 1975 in which they left the railroad industry. Their windfall payments are based only on credits acquired through the last year of railroad service instead of through 1974.

The plaintiffs sued the Board on behalf of themselves and all other individuals similarly situated and contended that the Railroad Retirement Act's failure to preserve dual benefit rights based on pre-1975 service for all individuals who had 10 years of railroad service and an insured status under the Social Security Act before 1975 was unconstitutional. The District Court agreed and ruled that the contested provision of the Railroad Retirement Act of 1974 was unconstitutional. The Board then appealed to the United States Supreme Court. On December 9, 1980, the Supreme Court reversed the District Court's decision and upheld the dual benefit windfall provision of the 1974 Railroad Retirement Act. The Act's dual benefit vesting requirements, in effect since January 1975, remain unchanged. As a result of the *Fritz* decision, two companion cases against the Board were subsequently dismissed.

The case of *Gebbie, et al.* v. *Railroad Retirement Board* was brought before the United States Court of Appeals for the Seventh Circuit on a petition for review of a decision by the Board denying petitioners windfall benefits under Section 3(h)(3) of the Railroad Retirement Act of 1974. In 1977, the petitioners, who are retired railroad employees, began receiving widowers' benefits under the Social Security Act, in accordance with the 1977 *Califano* v. *Gollfarb* Supreme Court decision and related cases, which held the dependency requirement for widowers' and male spouses' benefits to be unconstitutional. The Board held that they were not also entitled to windfall payments because non-dependent widowers and husbands were not eligible for social security benefits as of December 31, 1974, which was one of the requirements for windfall payments.

The petitioners challenged the Board's decision, arguing that the Board misapplied Section 3(h)(3) of the Act in denying their claims for windfall benefits. The petitioners alternatively contended that they were denied windfall benefits in contravention of the United States Constitution.

On September 29, 1980, the Court reversed the Board's decision and held that the Board had misinterpreted the Act in denying the claimed benefits to the petitioners. The case was submitted to the Solicitor General for a determination as to whether a Petition for a Writ of Certiorari should be filed with the Supreme Court of the United States, but the Solicitor General declined to file such Petition.

The case of *Gordon* v. *The Railroad Retirement Board, et al.* was dismissed by stipulation of the parties. In this action, which was brought against the Board in the United States District Court for the District of Columbia, the plaintiff challenged the constitutionality of the Board's procedures for notifying annuitants of initial decisions issued by the Bureau of Retirement Claims to terminate benefits.

On June 29, 1979, the Court issued an order denying the plaintiff's request that the Board be ordered to provide a hearing prior to the termination of an annuity. In addition, the Court held that, prior to terminating an annuity, the Board must send the annuitant a notice of the proposed termination which states the reasons for such termination and that the Board must afford the beneficiary an opportunity to submit evidence with respect to the proposed action. In accordance with this order, the Board has promulgated regulations providing for pre-termination notices and an opportunity to respond in writing.

In June 1981, the United States District Court for the Northern District of Illinois issued a decision in the case of *Denberg* v. *The Railroad Retirement Board*, granting plaintiffs' motion for summary judgment and denying the Board's motion for summary judgment. In *Denberg*, which was brought as a class action, the plaintiffs sought spouse benefits under the Railroad Retirement Act of 1974 for periods prior to March 1, 1977, for those male spouses who were denied spouse annuities because of the dependency provision found in Section 2(c)(3)(ii) of that Act.

In the case of *Linquist* v. *Patricia Roberts Harris and the Railroad Retirement Board,* brought before the United States District Court for the Western District of Missouri, the plaintiff, who receives a widow's annuity under the Railroad Retirement Act and an old-age benefit under the Social Security Act, is challenging the application of the excess earnings provisions of the Social Security Act to both her railroad retirement annuity and social security benefit. The plaintiff claims that the imposition of excess earnings deductions under both Acts amounts to a "double deduction" whereby her total benefit under the two Acts is reduced dollar for dollar for her excess earnings. The plaintiff is seeking class certification of this action and is requesting that the Court order declaratory and injunctive relief against future application of this so-called "double deduction," as well as monetary relief for benefits deducted in the past resulting from application of this "double deduction."

An action entitled *Kiernan* v. *Railroad Retirement Board* was brought in the United States Court of Appeals for the Tenth Circuit wherein the petitioner has appealed from a decision of the Board denying his claim that his continuous period of military service may be split, with a portion creditable under the Railroad Retirement Act and the remainder creditable under the Social Security Act. Briefs have been filed and oral argument was held on March 19, 1981. The case is currently pending before the Court of Appeals.

The case of *Orefield v. United States of America Railroad Retirement Board,* in the United States District Court for the Middle District of Florida, was dismissed for want of prosecution on May 22, 1980. The plaintiff had contended that the Board's denial of benefits under the Railroad Unemployment Insurance Act to him and members of the class he represented denied them equal protection and due process of law and thereby unconstitutionally discriminated against individuals receiving military service pensions.

Administrative Rulings

The following administrative rulings which were rendered during the 1980 fiscal year have been selected for inclusion in this report because of their special significance or interest.

Railroad Retirement and Survivor Benefits

1. The amount of a supplemental annuity which is subject to reduction for an employee's entitlement to an employer pension under Section 2(h)(2) of the Railroad Retirement Act was determined to be the net supplemental annuity after reduction for the railroad retirement maximum required by Section 3(f)(1).

2. The General Counsel held that, in determining the work deduction component of an individual's annuity, the amount subject to work deductions should first be adjusted for any military service reduction pursuant to Section 2(h)(1) of the Act.

3. The General Counsel's opinion L-80-122 discussed the application of Section 3(f)(3) of the Act in determining whether a child is to be included in the computation of the amount payable under the social security minimum provision. This opinion held that, in order for a child to be included in the computation under this section, the child must have attained the status of "child" as defined in the Social Security Act at

the time the employee's annuity begins or at the termination of a period of disability, whichever comes later.

4. Section 6(c)(1) of the Railroad Retirement Act provides that a residual lump sum may be paid, under certain circumstances, when it appears that no benefits or further benefits will be payable. The General Counsel ruled that a residual lump sum may be paid in a case where, due to a reduction for receipt of a public pension, the annuity rate is zero.

5. The Board's Bureau of Law reviewed Section 867.03 of the Wisconsin statutes, which provides for administration of small estates, and determined that the Board may pay a lump-sum death benefit pursuant to that section. That section requires that an affidavit be filed showing a description and the total value of the decedent's property within the State of Wisconsin. Thus, when the amount of the Board's lump-sum death benefit is shown on the affidavit, the Board may pay the lump-sum death payment to the affiant.

6. It was held that the Courts of New York would recognize a valid common law marriage arising between the parties during a brief vacation in Michigan in 1953, where the parties, domiciled in New York, were free to marry and subsequently cohabited as husband and wife, and the existence of an agreement to marry could be inferred or be said to have continued from day to day.

7. It was held that to rebut a presumption in favor of the validity of a subsequent marriage under Arkansas law where one party to such a subsequent marriage is deceased, the person challenging the validity of that marriage must provide conclusive proof that no divorce from the prior marriage was obtained by either party to such marriage.

8. The General Counsel held that a long-term disability plan established by an employer may be considered a supplemental pension plan under Section 2(h)(2) of the Railroad Retirement Act.

Railroad Unemployment Insurance Act

1. For purposes of determining the legality of a strike in order to permit payment of unemployment insurance benefits to striking employees, the "status-quo" provisions applicable to the 30 day "cooling-off" periods of the Railway Labor Act are binding upon labor as well as management.

2. The General Counsel held that the Board may not require an employee to file for unemployment benefits under the Railroad Unemployment Insurance Act or under a state plan as a condition of entitlement to Supplemental Unemployment Insurance under the Milwaukee Railroad Restructuring Act.

3. It was determined that special unemployment claims agents appointed by the Railroad Retirement Board under Section 12(1) of the Railroad Unemployment Insurance Act are independent contractors, rather than employees of the Railroad Retirement Board.

4. Judge Frank J. McGarr issued an order on June 9, 1980, which prohibited the Trustee in Bankruptcy of the Rock Island Railroad from entering into any negotiations to conclude an employee protection agreement with the appropriate labor organizations. In the absence of an employee protection agreement, the Board is unable to make the new career training assistance payments provided for in Section 119 of the Rock

Island Railroad Transition and Employee Assistance Act without a ruling from the Comptroller General (see p. 30).

Creditable Compensation and Remuneration

Where remuneration equal to or in excess of the current minimum wage is being paid by an employer under the Act to trainees, who are for some substantial portion of the training period clearly shown to be within the "continuing authority" of such employer, such remuneration is to be treated as compensation and credited under the Acts for the period wherein it was earned unless substantial and convincing evidence to the contrary is shown.

Disclosure of Information

It was determined that the Board may comply with a request for certain information made by the Equal Employment Opportunity Commission in connection with an investigation of a railroad employer. The Board is prohibited from disclosing information such as was requested unless there is a finding that disclosure is in the interests of the affected employees. The United States Supreme Court has held that it is to the benefit of all employees to work in an integrated work force; therefore, disclosure of the requested information was permitted.

Waiver and Recovery

The General Counsel held that Section 266.12 of the Board's regulations allowed recovery from a representative payee for any amounts used by the payee for his/her benefit rather than the benefit of the annuitant.

Pay for Time Lost

The General Counsel's opinion L-79-327 concerned a situation where the employee recovered a judgment against his employer for injuries sustained while on the job. The employee was paid by a third party who, under state law, was required to indemnify the carrier. The General Counsel held that a portion of the payment received by the employee from the third party could be allocated as pay for time lost even though such payment was not made by an employer under the Act.

Employee Status

Newspaper distributors employed by the Tribune Company of Tampa, Florida, employed pursuant to an employee-distributor arrangement which evidenced elements of independent contractor status as well as elements of employee status were held to be employees of the Tribune Company within the meaning of Section 2(e)(1) of the Railroad Retirement Act of 1974.

Fraud Prosecution

Convictions were obtained in two criminal prosecutions instituted against individuals who fraudulently caused benefits to be paid under the Railroad Retirement Act. There are four cases pending with United States Attorneys and approximately ten cases being developed by the Board's Bureau of Law for prosecution.

Under the Railroad Unemployment Insurance Act, the Board obtained eight convictions for fraud and two deferred prosecutions with full restitution. Two submissions for fraud prosecutions were declined by United States Attorneys. There are eight cases of this nature currently pending.

Appeals

Any claimant for benefits under the Railroad Retirement or Railroad Unemployment Insurance Acts may apeal a determination he or she feels is not justified. This appeal must be filed no later the one year after the determination. Appeals under the Railroad

Retirement Act are heard and decided by the Bureau of Hearings and Appeals, and those under the Railroad Unemployment Insurance Act by a referee appointed by the Director of the Bureau of Unemployment and Sickness Insurance. An appellant who is dissatisfied with the decision on his or her appeal may further appeal the case to the three-member Board within a prescribed period of time.

Railroad Retirement Act

During fiscal year 1980, the Bureau of Hearings and Appeals rendered decisions in 637 cases. The original determination was sustained in 313 cases and reversed in 324. Fifty-one appeals were dismissed. At the end of the fiscal year, 224 appeals were pending.

Ninety-one appeals were filed with the Board in fiscal year 1980, which, added to the 65 appeals carried over from the previous year, brought the total to be considered to 156. Of 80 decisions, 45 sustained previous rulings of the Bureau of Hearings and Appeals. Twenty-six of the appeals were remanded to the Bureau of Retirement Claims for favorable action, six were remanded to the Bureau of Hearings and Appeals, one was remanded to the Bureau of Law, and two were dismissed. At the end of the year, 76 appeals were pending before the Board.

Railroad Unemployment Insurance Act

During the 1980 benefit year, the appeals referee made decisions in 130 cases. The original determination was affirmed in 118 cases and reversed in 12. At the end of the benefit year, 40 appeals were pending.

Four appeals were filed with the Board during the 1980 benefit year, which, added to the three carried over from the previous year, brought the total to be considered to seven. The Board rendered decisions in four cases of appeals from the decision of the referee, affirming the decision in all of them. At the end of the year, three appeals were pending before the Board.

Covered Employers

During the 1980 fiscal year, coverage under the Railroad Retirement and Railroad Unemployment Insurance Acts was extended to 27 employers and terminated for 9 employers previously covered. In addition, a coverage determination in the previous year for one other employer was subsequently rescinded. Two of the terminations resulted from mergers or takeovers, with no actual change in coverage for employees.

As of September 30, 1980, a total of 1,040 employers and employing units were covered by the Acts. These employers and employing units included railroad carriers, railroad associations, national labor organizations, railroad affiliates and miscellaneous organizations engaged in providing transportation service by rail.

For calendar year 1979, reports of service and compensation were submitted by 546 employers, of which 416 were operating carriers (railroads and switching and terminal companies). The corresponding numbers of employers and operating carriers in 1978 were 549 and 418, respectively. Among those employers who did not submit reports for 1979, some had no covered employees during the year, while others were subsidiary companies whose employees were included in reports of parent companies.

Table 1.—Operations of the Railroad Retirement Accounts, fiscal years 1976-80

(In thousands)

Fiscal year or quarter	Receipts				Expenditures				Balance end of period
	Total[1]	Tax transfers[2]	Interest and profit on investments	Transfers under financial interchange[3]	Total[4]	Benefit payments	Net transfers to administration[5]	Transfers under financial interchange[6]	
Railroad Retirement Account									
Cumulative July 1936-Sept. 1980	$57,931,244	$33,800,982	$5,323,806	$16,414,746	$55,679,464	$52,583,239	$472,133	$1,596,997	$2,251,780
1975-76	3,334,451	1,552,845	247,503	1,238,669	3,569,305	3,357,219	29,356	137,722	3,714,720
July-Sept. 1976[7]	500,090	464,834	16,106	....	1,057,703	888,295	6,354	142,850	3,157,108
1976-77	3,590,852	1,783,723	231,907	1,207,523	3,818,685	3,670,227	30,832	....	2,929,276
1977-78	4,159,243	1,856,468	209,063	1,618,461	4,315,757	3,871,524	31,119	213,745	2,772,761
1978-79	4,532,012	2,289,708	186,799	1,477,438	4,646,933	4,154,770	35,136	191,149	2,657,840
1979-80	4,820,145	2,386,306	351,424	1,429,879	5,226,205	4,609,032	34,089	244,280	2,251,780
Quarter—									
July-Sept. 1979	687,553	607,487	4,905	....	1,181,344	1,100,261	7,378	....	2,657,840
Oct.-Dec. 1979	1,104,064	582,164	131,765	....	1,185,266	1,103,962	4,587	....	2,576,639
Jan.-Mar. 1980	748,105	595,085	73,798	....	1,202,014	1,114,195	7,375	....	2,122,730
Apr.-June 1980	2,195,664	631,532	50,139	1,429,879	1,481,961	1,148,233	6,700	244,280	2,836,432
July-Sept. 1980	772,312	577,524	95,722	....	1,356,964	1,242,642	15,427	....	2,251,780
Railroad Retirement Supplemental Account									
Cumulative Nov. 1966-Sept. 1980 ...	$1,174,882	$1,148,064	$26,819	....	[8]$1,147,757	$1,138,741	$7,621	....	$27,126
1975-76	91,122	89,078	2,044	....	113,043	112,301	742	....	16,002
July-Sept. 1976[7]	32,636	32,522	114	....	28,686	28,578	109	....	19,951
1976-77	126,437	124,771	1,665	....	117,520	116,718	802	....	28,868
1977-78	120,387	118,127	2,260	....	117,186	116,609	576	....	32,069
1978-79	122,635	119,775	2,860	....	120,684	120,092	592	....	34,020
1979-80	115,520	111,326	4,194	....	122,415	121,567	848	....	27,126
Quarter—									
July-Sept. 1979	30,895	30,654	241	....	30,310	29,985	325	....	34,020
Oct.-Dec. 1979	30,518	29,065	1,453	....	30,349	30,151	198	....	34,190
Jan.-Mar. 1980	28,542	27,534	1,008	....	30,687	30,562	125	....	32,045
Apr.-June 1980	29,884	28,986	898	....	30,581	30,381	200	....	31,348
July-Sept. 1980	26,576	25,741	835	....	30,798	30,473	325	....	27,126

See footnotes on page 52.

Table 2.—Number and average amount of railroad retirement annuities in current-payment status and awarded, by type of annuity, fiscal years 1976-80

Fiscal year or quarter	Regular retirement annuities									Supplemental annuities		Spouse annuities	
	Total number	Age				Disability							
		65 and over[9]		Under 65[9]		65 and over[9]		Under 65[9]					
		Number	Average amount	Number	Average amount	Number	Average amount	Number	Average amount	Number	Average amount	Number	Average amount
	In current-payment status at end of period												
1975-76	464,300	323,900	$339	39,600	$504	57,000	$293	43,800	$375	156,700	$59	223,800	$165
July-Sept. 1976[7]	464,600	322,300	341	42,300	516	56,900	294	43,100	379	159,200	59	225,200	167
1976-77	464,100	319,500	362	44,900	565	56,300	312	43,400	410	169,300	57	230,800	178
1977-78	460,000	315,100	386	46,600	617	55,300	331	43,000	443	176,300	55	232,500	191
1978-79	455,600	311,600	426	47,000	695	54,400	360	42,500	494	182,700	54	233,600	210
1979-80	451,200	307,900	484	48,100	797	53,400	406	41,900	567	188,100	53	233,900	236
Quarter—													
July-Sept. 1979	455,600	311,600	426	47,000	695	54,400	360	42,500	494	182,700	54	233,600	210
Oct.-Dec. 1979	455,400	311,300	429	47,300	705	54,200	362	42,600	499	184,500	54	234,100	212
Jan.-Mar. 1980	453,600	309,200	432	48,000	716	53,800	363	42,400	503	186,300	53	233,700	215
Apr.-June 1980	450,600	308,200	480	46,600	791	53,600	404	42,200	563	187,100	53	233,200	234
July-Sept. 1980	451,200	307,900	484	48,100	797	53,400	406	41,900	567	188,100	53	233,900	236
	Awarded during period[10]												
Cumulative July 1936-Sept. 1980	[8]1,537,000	881,300	....	229,800	....	....	....	377,200	....	254,000	....	769,300	....
1975-76	35,700	7,100	$362	21,300	$489	....	....	7,300	$375	21,700	$42	26,300	$184
July-Sept. 1976[7]	9,500	2,100	364	6,000	543	....	....	1,400	397	4,900	42	7,200	200
1976-77	29,300	6,400	391	15,700	555	....	....	7,100	460	16,400	41	26,300	215
1977-78	26,900	5,700	435	14,900	599	....	....	6,300	490	14,400	41	23,600	222
1978-79	25,500	5,100	470	14,500	682	....	....	5,800	547	14,700	41	22,300	246
1979-80	24,400	5,400	476	13,400	739	....	....	5,600	598	14,200	41	22,300	261
Quarter—													
July-Sept. 1979	7,800	1,500	520	4,900	737	....	....	1,400	573	3,600	41	6,100	259
Oct.-Dec. 1979	6,800	1,300	509	4,000	730	....	....	1,500	578	3,600	42	5,400	260
Jan.-Mar. 1980	6,900	1,200	498	4,200	740	....	....	1,500	579	4,300	42	5,900	271
Apr.-June 1980	4,400	1,200	386	1,900	657	....	....	1,300	600	3,000	41	4,800	250
July-Sept. 1980	6,300	1,700	501	3,300	774	....	....	1,300	639	3,300	42	6,200	260

See footnotes on page 53.

Table 3.—Number and average amount of survivor benefits in current-payment status and awarded, by type of benefit, fiscal years 1976-80

Fiscal year or quarter	Monthly benefits									Insurance lump sums[13]		Residual payments	
	Total number[12]	Aged widows and widowers		Disabled widows and widowers		Widowed mothers and fathers		Children					
		Number	Average amount	Number	Average amount	Number	Average amount	Number	Average amount	Number	Average amount	Number	Average amount
	In current-payment status at end of period												
1975-76	337,700	291,100	$250	5,600	$212	6,700	$252	33,500	$227	......	......	......	......
July-Sept. 1976[9]	337,500	291,500	250	5,700	212	6,600	256	32,800	230	......	......	......	......
1976-77	337,400	292,700	267	6,200	228	6,300	275	31,600	248	......	......	......	......
1977-78	335,500	292,300	285	6,500	242	5,900	301	30,200	269	......	......	......	......
1978-79	333,300	292,100	314	6,800	265	5,400	336	28,500	300	......	......	......	......
1979-80	330,000	290,300	361	7,000	302	5,000	392	27,300	349	......	......	......	......
Quarter—													
July-Sept. 1979	333,300	292,100	314	6,800	265	5,400	336	28,500	300	......	......	......	......
Oct.-Dec. 1979	333,100	292,000	315	6,800	265	5,300	338	28,400	302	......	......	......	......
Jan.-Mar. 1980	331,600	291,200	316	6,900	265	5,100	338	28,000	303	......	......	......	......
Apr.-June 1980	331,400	290,900	360	7,000	301	5,100	388	27,900	347	......	......	......	......
July-Sept. 1980	330,000	290,300	361	7,000	302	5,000	392	27,300	349	......	......	......	......
	Awarded during period												
Cumulative Jan. 1947-Sept. 1980	995,100	601,700	......	9,800	......	76,500	......	306,600	......	550,700	......	301,000	......
1975-76	23,200	17,800	$272	800	$189	1,100	$251	3,500	$223	12,400	$744	1,900	$5,958
July-Sept. 1976[9]	6,300	4,800	289	200	205	300	281	1,000	252	4,200	752	500	6,038
1976-77	24,100	19,300	297	700	224	1,000	289	3,200	263	13,000	757	1,700	6,123
1977-78	22,200	17,700	315	600	237	900	317	3,000	287	12,300	766	1,400	5,873
1978-79	21,100	17,000	345	600	261	800	344	2,700	316	12,000	771	1,200	6,191
1979-80	20,700	16,800	392	600	296	800	384	2,500	350	11,700	777	1,000	5,689
Quarter—													
July-Sept. 1979	5,500	[illegible]	360	200	287	200	365	700	336	3,000	779	300	6,506
Oct.-Dec. 1979	4,700	3,800	375	100	286	200	369	600	330	2,600	779	200	5,624
Jan.-Mar. 1980	4,900	4,000	376	200	274	200	360	600	337	2,800	779	300	5,671
Apr.-June 1980	5,600	4,200	383	100	306	300	377	800	350	3,500	777	300	5,653
July-Sept. 1980	5,700	4,800	423	100	323	200	427	600	386	2,800	775	200	5,825

See footnotes on page 52.

Table 4.—Operations of the Railroad Unemployment Insurance Accounts, fiscal years 1976-80

(In thousands)

Fiscal year or quarter	Receipts		Expenditures		Repayments and transfers[15]	Cash balance[16]	Due Railroad Retirement Account	Net deficit
	Total[14]	Contributions	Total	Benefit payments				
	Railroad Unemployment Insurance Account							
Cumulative July 1939-Sept. 1980	$4,757,703	$4,231,748	$4,747,722	$4,630,814	...	...	...	...
1975-76	113,033	109,832	217,958	217,913	(17)	$8,944	...	...
July-Sept. 1976[7]	35,044	33,973	46,727	46,619	...	2,861	$5,604	$2,744
1976-77	176,068	169,203	183,186	179,690	...	36,143	46,000	9,857
1977-78	209,640	204,269	200,081	197,313	$14,700	31,202	31,300	98
1978-79	198,184	193,701	142,696	141,941	31,300	55,790	...	...
1979-80	166,235	161,631	212,254	212,254	...	10,071	...	...
Quarter—								
July-Sept. 1979	49,605	45,703	27,732	27,732	...	55,790	...	...
Oct.-Dec. 1979	46,436	45,790	39,454	39,454	...	62,772	...	...
Jan.-Mar. 1980	47,046	46,143	60,011	60,011	...	49,807	...	...
Apr.-June 1980	38,229	35,687	45,351	45,351	...	40,785	...	...
July-Sept. 1980	38,526	33,841	67,238	67,238	...	10,071	...	...
	Railroad Unemployment Insurance Administration Fund							
Cumulative July 1939-Sept. 1980	$432,746	$408,027	$284,416	...	$142,397	...	...	...
1975-76	8,767	8,523	8,914	...	...	$5,896	...	...
July-Sept. 1976[7]	3,468	3,353	2,337	...	910	6,123	...	...
1976-77	15,681	15,377	9,382	...	6,452	6,458	...	...
1977-78	14,090	13,634	10,114	...	4,266	6,157	...	...
1978-79	14,312	13,824	10,414	...	3,623	6,260	...	...
1979-80	13,606	12,808	11,772	...	1,909	5,935	...	...
Quarter—								
July-Sept. 1979	3,632	3,310	2,611	...	3,623	6,260	...	...
Oct.-Dec. 1979	3,687	3,323	2,971	...	...	6,921	...	...
Jan.-Mar. 1980	3,671	3,349	2,980	...	...	7,609	...	...
Apr.-June 1980	2,301	2,354	2,396	...	...	7,518	...	...
July-Sept. 1980	3,947	3,382	3,225	...	1,909	5,935	...	...

See footnotes on page 92.

Table 5.—Beneficiaries, benefit payments and related data on operations under the railroad unemployment and sickness insurance program, benefit years 1977-80

Benefit year or quarter	Qualified employees	Applications	Claims	Payments[10]			Net amount paid (thousands)	Beneficiaries	Exhaustions of normal benefits	Placement of unemployment claimants
				Number	Average amount					
					Per registration period	Per week				
				Unemployment insurance						
1976-77	617,000	102,200	641,800	604,200	$190.90	$122.90	$111,229	84,000	13,400	3,800
1977-78	602,600	113,200	672,700	608,400	194.76	124.13	110,766	91,000	10,300	3,600
1978-79	607,200	124,800	580,600	523,100	198.60	124.63	100,793	97,000	7,100	4,000
1979-80	609,200	136,800	620,200	531,800	198.94	124.63	112,706	99,000	11,200	3,900
Quarters–										
July-Sept. 1979	....	36,800	87,900	77,200	191.72	123.80	13,637	71,000	600	700
Oct.-Dec. 1979	....	32,700	142,200	120,700	190.42	124.45	22,550	48,000	300	800
Jan.-Mar. 1980	....	33,200	234,000	216,000	205.99	124.70	43,424	59,000	4,500	1,000
Apr.-June 1980	....	33,800	186,100	166,400	198.27	124.75	33,096	33,000	5,700	1,400
July-Sept. 1980	....	67,200	221,200	226,700	210.69	124.80	49,463	62,000	1,600	1,400
				Sickness insurance						
1976-77	617,000	107,600	731,700	716,200	$229.63	$122.80	$77,073	84,000	12,600	....
1977-78	612,600	107,800	713,600	672,400	231.69	124.30	72,823	82,000	11,100	....
1978-79	607,200	103,200	686,000	647,000	231.68	126.73	64,235	78,000	10,100	....
1979-80	609,200	102,800	659,100	594,800	230.56	126.80	60,043	73,000	9,500	....
Quarters–										
July-Sept. 1979	....	37,200	118,800	105,800	232.66	124.73	14,093	31,000	800	....
Oct.-Dec. 1979	....	21,200	116,200	106,900	232.70	126.87	16,919	31,000	300	....
Jan.-Mar. 1980	....	23,200	128,200	114,300	229.20	126.85	16,267	33,000	5,600	....
Apr.-June 1980	....	20,800	116,800	92,400	229.26	126.90	12,656	28,000	2,800	....
July-Sept. 1980	....	27,000	124,000	113,100	233.00	126.80	17,773	31,000	800	....

See footnotes on page 53.

Table 8.—Railroad employment, payrolls, and social insurance benefits, calendar years 1974-79

Calendar year or quarter	Employment (thousands)		Payrolls (millions)			Benefit payments (millions)	
				Taxable			
	Average	Total	Total	RRA [1]	RUIA	RRA [2]	RUIA
1974	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1975	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1976	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1977	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1978	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1979	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Quarters—							
July-Sept. 1979	[illegible]	....	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oct.-Dec. 1979	[illegible]	....	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Jan.-Mar. 1980	[illegible]	....	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Apr.-June 1980	[illegible]	....	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
July-Sept. 1980	[illegible]	....	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

See footnotes on page [illegible].

Footnotes for Tables on Pages 46–51

[1] *Beginning with February 1975, includes advances for payment of social security benefits and, beginning February 1976, dual benefit transfers from U.S. Treasury.*

[2] *Includes U.S. Treasury appropriations for military service credits under the Railroad Retirement Act.*

[3] *Consists of transfers from the Social Security OASI Trust Fund beginning 1957-58 and from the DI Trust Fund beginning 1960-61.*

[4] *From June 1969 through June 1974, includes reimbursement to Railroad Unemployment Insurance Account under Sec. 10(h) of the Railroad Unemployment Insurance Act. Beginning with February 1975, includes payments of social security benefits.*

[5] *Excludes $41,127,000 appropriated directly for administration before 1949-50. Negative amounts reflect adjustment to prior-year expenditures.*

[6] *Consists of transfers to the Social Security OASI Trust Fund in 1953-54 through 1956-57, to the DI Trust Fund in 1958-59 and 1959-60, and to the HI Trust Fund beginning in 1966-67.*

[7] *July-September 1976 is transition quarter. Fiscal years 1976 and earlier began July 1 and ended June 30. Beginning October 1976, fiscal years begin October 1 and end September 30.*

[8] *Includes $1,395,000 in interest on amount repaid to Railroad Retirement Account.*

[9] *Age at end of period for those with annuities in current-payment status; age at accrual for awards.*

[10] *Average amounts of employee and spouse annuities awarded are estimates approximating the averages that will be payable after all recertifications are completed.*

[11] *Includes pensioners.*

[12] *Includes survivor (option) annuities and annuities to parents.*

[13] *Excludes benefits of the deferred type payable one year after the employee's death.*

[14] *Includes interest and, for the Railroad Unemployment Insurance Account, transfers from the Railroad Unemployment Insurance Administration Fund and from the Railroad Retirement Account.*

[15] *For Railroad Unemployment Insurance Account, data consist of net repayments of principal amounts due Railroad Retirement Account; for Railroad Unemployment Insurance Administration Fund, data consist of transfers of amounts over $6,000,000 on an accrual basis at end of year to Railroad Unemployment Insurance Account.*

[16] *Railroad Unemployment Insurance Administration Fund balance for each year includes adjustments for changes in expenditures made for earlier years.*

[17] *Borrowed amount repaid by end of period.*

[18] *Not adjusted for recoveries of overpayments or settlements of underpayments. Average per registration period is average for all 14-day periods; average per week is average for a full week of unemployment or sickness.*

[19] *Beginning in 1979, refers to tier I taxable payroll.*

[20] *Includes supplemental annuity payments.*

[21] *Preliminary.*

NOTE.—Some figures in the tables are based on estimates which are revised periodically as more information becomes available.